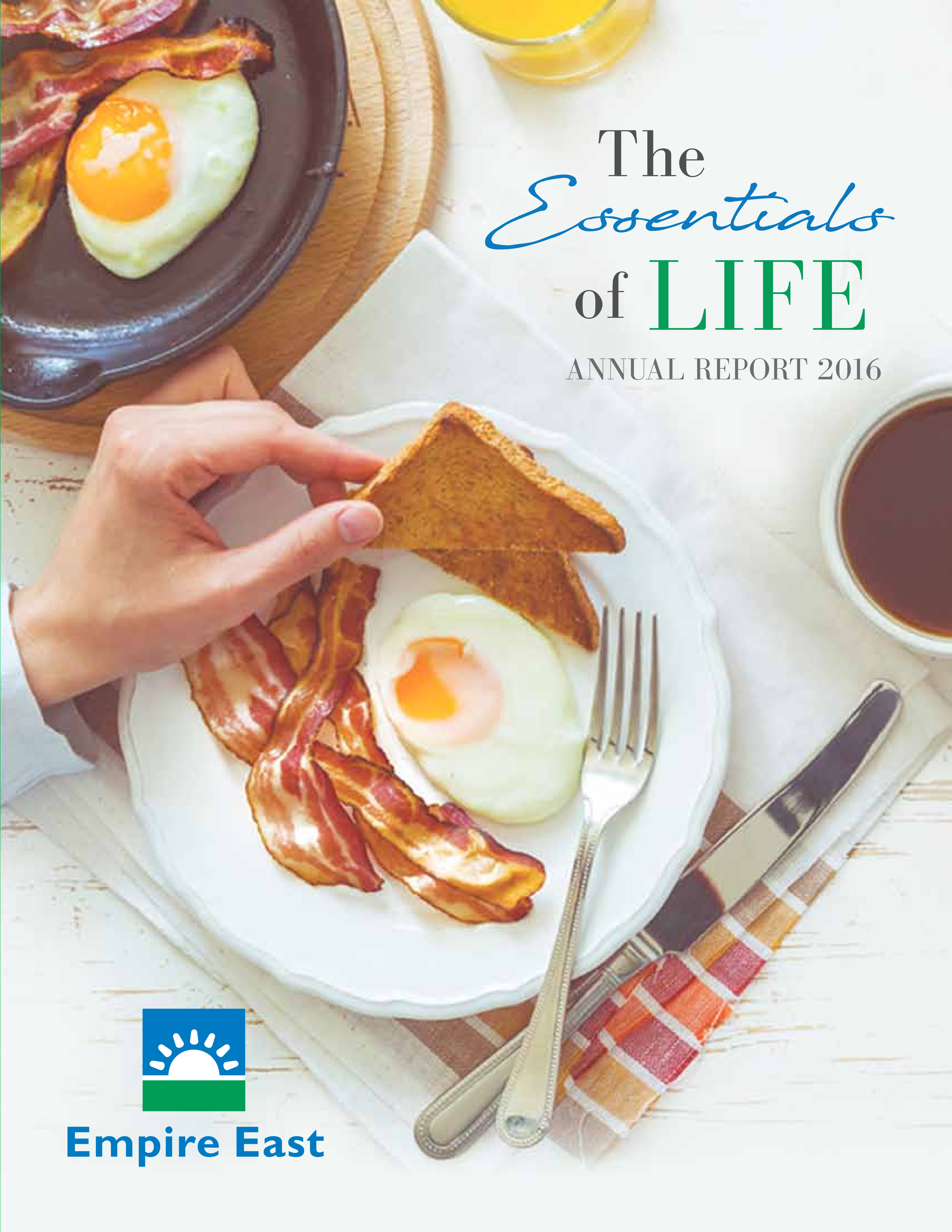
The Essentials of LIFE

ANNUAL REPORT 2016



Empire East

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The *Essentials* of LIFE

Dynamism and diversity mark the accomplishments of Empire East as an urban developer. Through the years, the company's efforts have made a significant impact on the locations where it is present, infusing energy and a unique sense of character into the landscape, in key cities in Metro Manila and the South.

The same energy and character have molded the properties of Empire East. These communities offer life's essentials: comfort and convenience, the space to be oneself, and a place to nurture and be nurtured. They bear the thumbprint of a mindset anchored on lifestyle renewal and revitalization.

While its developments are pioneering and progressive in their approach to real estate, the company never loses sight of what is vital to its customers—warm, personalized experiences that have a positive ripple effect outside the home. Such moments ultimately visualize the company's brand, making it truly synonymous with value.

The continued growth of the company and its brand made 2016 a very rewarding year for Empire East. By emphasizing the lifestyle essentials that have made the company's developments true powerhouses, we have made our portfolio more visible and more personal to our market than ever before. We take pride in how our communities have taken shape over the years— they embody the kind of integrated, multi-faceted lifestyle we envisioned for its residents today.

Empire East is in a strong position to deliver value across multiple platforms. In 2016, net income reached P601.7 million, while the company and its subsidiaries registered revenues of P4.9 billion.

Successfully driving home the distinct identities and advantages of each Empire East development has been key to our sales initiatives for the past year. We have been able to strategically connect with and communicate to our ideal customers across a diversity of backgrounds. As a result, our properties continue to find a highly engaged market in a competitive industry.

Our projects themselves speak of the company's strength and stability. Our communities are transformative— they have been designed not only to align with people's foremost life goals and fast-changing lifestyles, but also to define and set the bar for everyday experiences. Our transit-oriented residential offerings are an example of how well-planned developments enjoy long-term relevance. The units at Little Baguio Terraces, Pioneer Woodlands and San Lorenzo Place are nearly sold out.

Empire East has further identified wellness in the home to be an ongoing focus of property buyers. The 7-cluster Rochester launched its first building seven years ago, but demand for its unique brand of home-based recreation has grown. Three clusters of the project, Garden Villas 1, Garden Villas 2 and Breeze Tower are fully taken up, while Parklane, Palmridge and Hillcrest towers are approaching sold-out status. The same phenomenon holds true for Kasara, which has consistently drawn investors for its lifestyle amenities. Kasara's first and second towers are sold out.

In the South, horizontal development is still largely embraced. Virtually sold out, our The Sonoma project in Sta. Rosa, Laguna, does us proud. Units at 1433 West Row, its upscale retail strip, have also been fully taken up. With the community's four residential phases complete, buyers have been fast-tracking the construction of their individual houses at the site.

Covent Garden and Mango Tree Residences, the new residential condominium offerings of the company, are enjoying brisk sales. Put on stream starting 2014, these developments represent a new breed of Empire East homes that are steadily entrenching themselves in the consciousness of a younger but still value-focused market.

Keeping to our construction timetables is a vital part of our business scorecard, and is integral to preserving our customers' trust. Our project development team together with various external contractors have been exceptionally vigilant in monitoring and supervising the progress of construction for all the company's projects. Consequently, our operational efficiencies have been sustained at high levels.

We take pride in how our communities have taken shape over the years—they embody the kind of integrated, multi-faceted lifestyle we envisioned for its residents today.

We are pleased to report that Tower 2 of Little Baguio Terraces is slated for turnover by end-2017, while units are being efficiently handed over at the higher floors of Pioneer Woodlands' Tower 1, Tower 2 and Woodland Park I. We expect to finish Tower 3 of San Lorenzo Place by yearend also. Already halfway complete are The Rochester's Parklane, Palmridge and Hillcrest towers. Nearing completion is Tower 1 of Kasara, while Tower 2 is more than halfway finished.

Set to be launched soon are new towers in Pioneer Woodlands, Kasara and Mango Tree Residences.

In 2016, the company spent P3.38 billion for its construction and development activities. We expect to incur P25 billion in construction costs over the next five years as we pursue the expansion of our development footprint in the years to come. To date, we have P2.9 billion worth of properties in our land bank, with a total aggregate area of 404 hectares. This land is not only a commitment to future profitability but also an inspiration to all of us at the company to keep pushing forward with our vision in mind.

To our shareholders, business partners, employees and clients: thank you for giving us a multitude of opportunities to positively impact the lives of Filipinos. It is Empire East's goal to forge ahead and mark even more milestones as we continue to seize new growth prospects.

ANTHONY CHARLEMAGNE C. YU
President

President's MESSAGE

LITTLE BAGUIO TERRACES

We write the chapters of our own lives,
and sometimes we read them back,
in remembrance, like pages in a book.
We are given the chance to go on many journeys,
to learn and to experience,
whether we stay in one place
or go out into the world.

Set near the university belt of Manila, Little Baguio Terraces has helped bring education and learning closer to its residents. The development enjoys a location along N. Domingo Street in San Juan City, making the LRT-2 lines in J. Ruiz and Gilmore—and therefore schools along the train route—more accessible.

The location and master plan of Little Baguio Terraces made it Empire East's first development oriented toward a major transport system, and set the tone for the company's subsequent initiatives into transformative real estate.


Little Baguio
Terraces


Households with students benefit from an investment in the community, which offers different residential options. The four-tower development comprises 1,226 units that offer two to three bedrooms, and range from 30 to 60 square meters in size.




Towers 1, 3 and 4 of the project are sold out and ready for occupancy. The second tower is nearly fully taken up and scheduled for handover by the end of this year.

Pioneer Woodlands

The good life is made up of many things
from many different sources.
We bring them together, the ingredients
of our most memorable moments.
We savor what we've created,
then we do it all over again.
It's what we're here for.

Various business centers and leisure hubs compose the Ortigas CBD, and these are all destinations that are easily reached via the MRT-3 train line. Empire East's Pioneer Woodlands connects to this transport system via its own interlink bridgeway in Boni Station, giving its homeowners an edge in mobility.

The 1.3-hectare, six-tower community is set along the junction of EDSA and Pioneer Street in Mandaluyong City, and showcases 3,054 residences. These units come in 20.50- to 61-square-meter cuts and in studio, one- to two-bedroom, and three-bedroom combined layouts.

Future residents can look forward to a many-layered, multi-faceted lifestyle at Pioneer Woodlands, as the development is a jumping-off point from which they can successfully navigate their personal and work lives, as well as their downtime.

The first three towers are completely taken up and ready for occupancy.
Meanwhile, construction is in full swing for Towers 4 and 5.
Slated for launch is its sixth and final tower.

SanLorenzoPlace

Makati CBD Luxury Residences

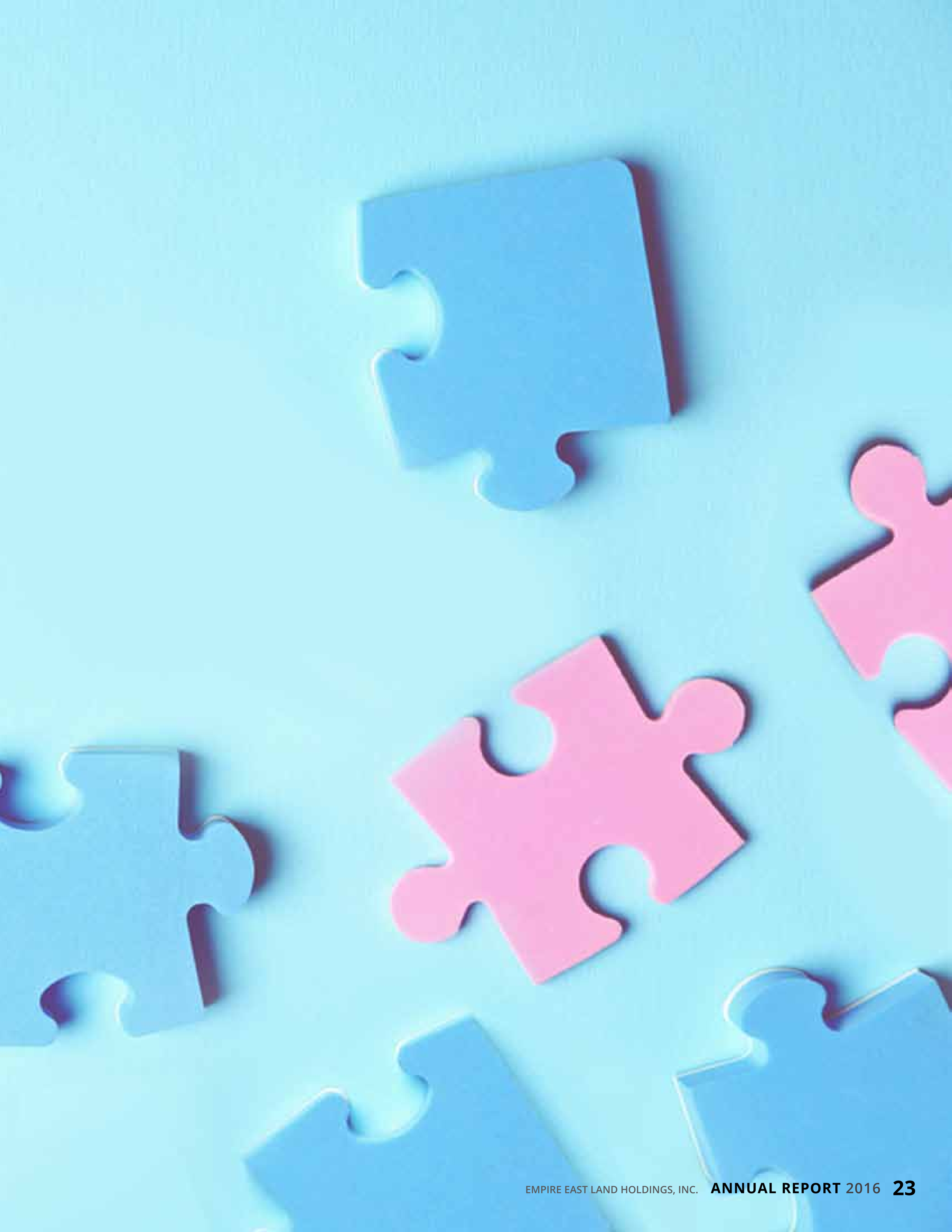
They say to take life slow.
To stop, take stock and breathe.
But for some of us, being on the go *is* life.
We're all about excitement, purpose, passion.
We're fast because it's fun.
We're not in a rush—we feel the rush,
and we're making things happen.

Expanding horizons for homeowners at San Lorenzo Place is the community's link to the MRT-3 in Magallanes. The third offering in Empire East's transit-oriented development portfolio, San Lorenzo Place allows its train-riding residents to quickly reach their workplaces in the Makati CBD as well as explore every corner of the vibrant district.

For Makati-based professionals looking to live where they work, San Lorenzo Place is an ideal choice. It not only epitomizes convenience and efficiency but also affords its residents the luxury and status of a CBD address.

The four towers of the 1.3-hectare project, set at the corner of EDSA and Chino Roces Avenue, host 2,173 one- to three-bedroom units. Living spaces come in 25.50- to 77-square-meter layouts, which can meet the needs of a single resident or a bigger household.

San Lorenzo Place is approaching sold-out status. Towers 1, 2 and 4 are ready for occupancy, while the third tower is set for completion by end-2017.



Empire East's The Rochester allows homeowners diverse opportunities to combine the lifestyle elements that resonate most with them, and own a thoughtfully planned, holistic setting to enjoy them all. The centerpiece of the community is an expansive amenity area for indoor and outdoor play, a venue where family ties and neighborly bonds are nurtured.

Located along Elisco Road in San Joaquin, Pasig City, the community comprises seven buildings. These offer 1,248 residences, with 24.20- to 93-square-meter suites in one- to three-bedroom and bi-level options.




The low-rise Garden Villas 1 and 2 and the mid-rise Breeze Tower are complete and sold out. The Parklane, Palmridge and Hillcrest towers are halfway complete and nearly fully taken up. Empire East has started construction for Bridgeview Tower.

KASARA

Urban Resort Residences

A picture is worth a thousand words.
Life is composed of many moments.
Let's look around, open our eyes and see—really see.
We're meant to go out and dive into our experiences.
Let's get the most out of the day.
Let's capture what we can.

Offering the promise of total rejuvenation for the urban dweller, Kasara is a wellspring of experiences anchored on resort-style recreation. The community, set along Eagle Avenue and P.E. Antonio Street in Ugong, Pasig City, dedicates nearly 65 percent of its 1.8-hectare area to amenities and greenery.

Kasara hosts a large lake-inspired swimming pool, which is surrounded by a variety of other amenities, mostly water-based. The resulting environment is tranquil, beautiful and naturally picturesque. Empire East has shaped the community in such a way that it appeals to a market that regards a “holiday-at-home” lifestyle worth buying into.

The project’s six towers offer 3,192 residences. These come in studios, one- and two-bedroom units and bi-level penthouse suites that are 22.50 to 141 square meters in size.

Kasara's first two towers are sold out. Tower 1 is nearing completion, while Tower 2 is more than halfway complete. Pre-selling is ongoing for Towers 3 and 5, which are in the initial stages of construction. Towers 4 and 6, meanwhile, are set to be launched for pre-selling.

The Sonoma

Our memories are sacred.
We frame them, preserve them, keep them intact
as much as possible.
We reflect on our past with the people we love,
yet we look forward, expectantly, to the future.
Life is not only about creating stories together,
but also inviting others to create more.

The Sonoma in Sta. Rosa, Laguna, touches on most Filipinos' long-standing aspirations to build a traditional home while keeping them in tune with the times. The Sonoma is a horizontal development at its finest—it is the first-ever urban resort residence of Empire East and it offers a dynamic location that puts it close to Alabang and Metro Manila.

The unique character of the project inspires future homeowners to consider far-reaching possibilities. It invites them to invest in property where future generations of their family can put down roots, grow, thrive, and establish their own history.





At 50 hectares, The Sonoma gives homeowners more than enough room. Four residential phases—Enclave, Country Club, Esplanade and Pavilion—offer 1,510 residential lots ranging from 150 to 670 square meters in size. The project hosts village amenities and large gathering spaces, as well as an upscale retail strip called 1433 West Row.

All four phases of the development are finished and nearly sold out. Work is ongoing for the construction of individual homes.

COVENT GARDEN

We can hold life in the palm of our hand.
The world brings new beginnings,
grand possibilities,
bigger opportunities.

The advantages and benefits offered by a transit-oriented development and an urban resort residence are brought together at Covent Garden, which has been designed to combine the best of both kinds of communities. Its location in the Sta. Mesa area brings it close to the V. Mapa and Pureza stations of the LRT-2, making commuting convenience an everyday reality for future homeowners. Meanwhile, about 70 percent of the project has been dedicated to open spaces that invite relaxation and rejuvenation.

Covent Garden features two residential towers with studios, one- to two-bedroom homes and bi-level units. Living spaces range from 23.42 to 121.11 square meters, making the community ideal not only for students and professionals but also for growing families.





The fifth-level podium has been set aside for healthy recreation. There is a 22-meter lap pool, children's pool and playground, an outdoor bar and lounge, a fitness gym, jogging path and function hall. The ground level of the development has been reserved for commercial spaces.

Construction is in full swing for the project's nearly sold out South Residences. Pre-selling is under way for North Residences.

Set in San Juan City, at the junction of M. Paterno and Ledesma streets, Mango Tree Residences is an ideal choice for location-conscious homebuyers. The development affords future residents worry-free access to learning institutions such as La Salle Greenhills, Xavier School and Poveda, as well as destinations in the Ortigas and Makati CBDs.

Two high-rise towers compose Mango Tree Residences. The residential levels are low in density, showcasing only nine to 10 units per floor. Its homes come in sizes ranging from 30 to 92.64 square meters. True to its name, the project features a landscape planted with mango trees.





Located at the ground level are leisure amenities including a 25-meter lap pool and children's pool, an alfresco lounge, a gym, shower/changing rooms and a yoga station. There will also be a function room that can seat up to 100 guests and a garden deck at the seventh level.

Work has started for West Residences, which enjoys pre-selling status. Units at East Residences, already slated for launch, will be opened for pre-selling soon.

Statement of Management's Responsibility for Financial Statements

The management of Empire East Land Holdings, Inc. and subsidiaries (the Group), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

ANDREW L. TAN	ANTHONY CHARLEMAGNE C. YU	EVELYN G. CACHO
Chairman of the Board	Chief Executive Officer	Chief Financial Officer

SUBSCRIBED AND SWORN to me before this April 17 of 2017 affiant exhibiting to me their Tax Identification Number (TIN) as follows:

Andrew L. Tan	125-960-003
Anthony Charlemagne C. Yu	132-173-451
Evelyn G. Gacho	127-326-686

Doc. No. 475
Page No. 090
Book No. XI
Series of 2017

AMIEL VICTOR A. ASUNCION
NOTARY PUBLIC
ROLL NO. 59612
MAKATI CITY, PHILIPPINES

Amiel Victor A. Asuncion
Notary Public for Makati City
Appointment No. M-194
Until Dec. 31, 2018
Roll of Atty. No. 59612
MCLE Compliance No. V-0016478 Mar. 14, 2016
IBP OR No. 1054509 Dec. 27, 2016
PTR No. 5916017 Jan. 6, 2017 Makati City
24/F The World Centre Building
330 Sen. Gil. Puyat Ave., Makati City

Report of Independent Auditors

Punongbayan & Araullo
An instinct for growth

The Board of Directors and Stockholders
Empire East Land Holdings, Inc. and Subsidiaries
(A Subsidiary of Megaworld Corporation)
21st Floor, The World Centre Building
330 Sen. Gil Puyat Avenue, Makati City

Opinion

We have audited the consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Revenue Recognition for Sale of Pre-Completed Properties

Description of the Matter

The Group recognizes revenue from sale of pre-completed properties using the percentage-of-completion method after establishing that collection of the total contract price is reasonably assured, which is determined when a certain percentage of the total contract price has already been collected. Further, under the percentage-of-completion method, the Group recognizes gross profit based on the stage of completion as estimated by management with the assistance of project engineers.

Revenue recognition from sale of pre-completed properties was significant to our audit as it comprises majority of total revenues of the Group. Further, revenue recognition involves significant management judgments and estimates. Management applies judgment in ascertaining the collectability of the contract price, and estimating the stage of completion and contract costs of the real estate project. An error in application of judgment and estimate could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We tested, on a sample basis, the application of the percentage of collection threshold on sales contracts entered during the year. We also tested the reasonableness of the collection threshold as basis of determining revenue recognition criterion on the collectability of contract price.

In testing the application of percentage-of-completion method, we ascertained the qualification of project engineers who certified the stage of completion of projects. Further, we evaluated the reasonableness of estimated contract costs with reference to contractors' and suppliers' quotes and historical costs of similar and recently completed projects.

(b) Net Realizable Values of Real Estate Inventories

Description of the Matter

Real estate inventories principally comprise of residential and condominium units for sale, land held for future development and property development costs amounting to P18.9 billion, P2.9 billion and P1.9 billion, respectively, as of December 31, 2016. Future realization of inventories is affected by price changes in the costs incurred necessary to complete and make a sale. Due to the significant carrying amount of inventories, and the high level of judgment in estimating its lower of cost or net realizable value (NRV), we considered the valuation of inventories as significant to our audit.

The Group's disclosures on accounting policy, estimation uncertainty and Real Estate Inventories account are presented in Notes 2, 3, 7 and 10, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

We updated our understanding of the method of inventory costing and accounting policy on the lower of cost or NRV. We also performed a price test, on a sample basis, of inventory items by examining supporting documents such as, but not limited to, construction contracts for real estate inventories, purchase contracts and invoices and we determined whether the application of the lower of cost or NRV is appropriate and consistent with prior periods.

(c) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Empire East Land Holdings, Inc. and its subsidiaries, as enumerated in Note 1 to the consolidated financial statements, after the elimination of material intercompany transactions. The Group's consolidation process is significant to our audit because of the complexity of the process. It involves identifying and eliminating voluminous intercompany transactions to properly reflect realization of profits and measurement of controlling and non-controlling interests.

The Group's policy on consolidation process is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained understanding of the Group structure and its consolidation process including the procedures for identifying intercompany transactions and reconciling intercompany balances. We tested significant consolidation adjustments which include elimination of intercompany revenues, expenses and investments, reversal of unrealized fair value adjustments on intercompany investments, and recognition of equity transactions to measure non-controlling interest.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner in the 2016 audit resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5908630, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 1363-AR-1 (until Mar. 1, 2020)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 28, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015 *(Amounts in Philippine Pesos)*

ASSETS	Notes	2016	2015
CURRENT ASSETS			
Cash and cash equivalents	5	**P 1,008,997,919**	P 1,398,235,836
Trade and other receivables - net	6	**5,021,310,911**	4,010,737,757
Advances to related parties	23	**2,311,257,801**	2,146,804,221
Residential and condominium units for sale	7	**18,933,860,565**	18,269,742,532
Property development costs	7	**1,903,775,929**	1,889,462,729
Prepayments and other current assets	2	**381,730,305**	461,364,440
Total Current Assets		**29,560,933,430**	28,176,347,515
NON-CURRENT ASSETS			
Trade and other receivables	6	**2,782,264,393**	2,200,848,056
Available-for-sale financial assets	8	**1,439,028,000**	1,812,860,000
Advances to landowners and joint ventures	9	**306,871,395**	605,381,608
Land held for future development	10	**2,925,390,962**	2,925,390,962
Investments in associates	11	**1,162,873,746**	1,162,060,445
Property and equipment - net	12	**155,444,595**	150,777,539
Investment property - net	13	**135,249,248**	151,942,870
Other non-current assets	1	**84,702,690**	84,612,333
Total Non-current Assets		**8,991,825,029**	9,093,873,813
TOTAL ASSETS		**P 38,552,758,459**	P 37,270,221,328

LIABILITIES AND EQUITY	Notes	2016	2015
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**P 355,115,433**	P 86,896,890
Trade and other payables	15	**1,451,139,792**	1,072,574,728
Deferred gross profit on real estate sales	2	**53,574,516**	33,878,967
Customers' deposits	16	**2,494,778,962**	2,612,905,347
Advances from related parties	23	**3,012,266,199**	2,832,787,394
Reserve for property development	2	**387,962,962**	337,613,720
Income tax payable		**20,510,077**	20,750,928
Other current liabilities	17	**584,715,486**	569,761,670
Total Current Liabilities		**8,360,063,427**	7,567,169,644
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	**1,603,434,043**	1,422,105,714
Deferred gross profit on real estate sales	2	**116,609,460**	109,268,330
Reserve for property development	2	**1,425,945,593**	1,536,370,047
Retirement benefit obligation	21	**528,514,895**	479,298,630
Deferred tax liabilities - net	22	**1,604,579,980**	1,472,019,500
Total Non-current Liabilities		**5,279,083,971**	5,019,062,221
Total Liabilities		**13,639,147,398**	12,586,231,865
EQUITY			
Attributable to the Parent Company's stockholders			
Capital stock	24	**14,803,455,238**	14,803,455,238
Additional paid-in capital		**4,307,887,996**	4,307,887,996
Treasury stock - at cost	24	**(102,106,658)**	(102,106,658)
Revaluation reserves	8, 21	**468,066,229**	839,520,384
Retained earnings	24	**4,815,887,029**	4,215,917,504
Total equity attributable to the Parent Company's stockholders		**24,293,189,834**	24,064,674,464
Non-controlling interests		**620,421,227**	619,314,999
Total Equity		**24,913,611,061**	24,683,989,463
TOTAL LIABILITIES AND EQUITY		**P 38,552,758,459**	P 37,270,221,328

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
REVENUES AND INCOME				
Real estate sales	2	**P 4,124,838,936**	P 4,017,372,548	P 3,480,191,566
Finance income	20	**323,606,513**	324,162,386	381,185,394
Commissions	23	**126,759,525**	143,273,471	134,923,506
Rental income	13	**105,345,526**	106,051,918	111,812,748
Realized gross profit on prior years' sales	2	**69,595,743**	64,055,734	113,810,909
Equity share in net earnings (losses) of associates	11	**813,301**	(9,006,812)	(81,725)
Other income	19	**446,300,476**	412,755,308	353,854,913
		5,197,260,020	5,058,664,553	4,575,697,311
COSTS AND EXPENSES				
Cost of real estate sales	18	**2,652,093,167**	2,615,303,158	2,300,438,219
Salaries and employee benefits	21	**427,968,009**	411,242,638	302,327,535
Finance costs	20	**199,569,995**	177,380,882	127,855,308
Commissions		**182,654,092**	248,760,584	193,938,329
Taxes and licenses	10, 13	**115,735,507**	37,285,107	268,431,334
Travel and transportation		**109,370,580**	164,333,838	106,764,956
Advertising and promotion		**100,375,951**	150,278,865	98,878,593
Deferred gross profit on current year's sales	2	**96,632,422**	53,908,791	92,115,417
Depreciation and amortization	12, 13	**33,826,974**	34,217,740	37,777,025
Income taxes	22	**243,903,785**	232,167,646	264,418,347
Other expenses	19	**434,053,785**	383,272,046	298,231,868
		4,596,184,267	4,508,151,295	4,091,176,931
NET PROFIT		**601,075,753**	550,513,258	484,520,380
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently through profit or loss:				
Remeasurements on retirement benefit obligation	21	**3,396,922**	25,260,742	(94,939,688)
Tax income (expense) on remeasurement	22	**(1,019,077)**	(7,454,228)	28,355,076
		2,377,845	17,806,514	(66,584,612)
Item that will be reclassified subsequently through profit or loss:				
Fair value losses on available-for-sale financial assets	8	**(373,832,000)**	(726,270,000)	(365,950,000)
Total Other Comprehensive Loss - net of tax		**(371,454,155)**	(708,463,486)	(432,534,612)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P 229,621,598**	(P 157,950,228)	P 51,985,768
Net profit attributable to:				
Parent company's shareholders		**P 599,969,525**	P 547,278,548	P 481,845,568
Non-controlling interest		**1,106,228**	3,234,710	2,674,812
		P 601,075,753	P 550,513,258	P 484,520,380
Total comprehensive income (loss) attributable to:				
Parent company's shareholders		**P 228,515,370**	(P 161,298,600)	P 49,427,217
Non-controlling interest		**1,106,228**	3,348,372	2,558,551
		P 229,621,598	(P 157,950,228)	P 51,985,768
EARNINGS PER SHARE - Basic and Diluted	25	**P 0.041**	P 0.037	P 0.033

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Attributable to Parent Company's Shareholders							
	Capital Stock (See Note 24)	**Additional Paid-in-Capital** (See Note 24)	**Treasury Stock** (See Note 24)	**Revaluation Reserves** (See Notes 8, 21)	**Retained Earnings** (See Note 24)	**Total**	**Non-controlling Interests**	**Total**
Balance at January 1, 2016	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 839,520,384	P 4,215,917,504	P 24,064,674,464	P 619,314,999	P 24,683,989,463
Total comprehensive income for the year								
Net profit for the year	-	-	-	-	599,969,525	599,969,525	1,106,228	601,075,753
Fair value losses on available-for-sale financial assets	-	-	-	(373,832,000)	-	(373,832,000)	-	(373,832,000)
Remeasurements on retirement benefit obligation	-	-	-	3,396,922	-	3,396,922	-	3,396,922
Tax expense on remeasurement	-	-	-	(1,019,077)	-	(1,019,077)	-	(1,019,077)
Balance at December 31, 2016	**P 14,803,455,238**	**P 4,307,887,996**	**(P 102,106,658)**	**P 468,066,229**	**P 4,815,887,029**	**P 24,293,189,834**	**P 620,421,227**	**P 24,913,611,061**
Balance at January 1, 2015	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,548,097,532	P 3,668,638,956	P 24,225,973,064	P 615,966,627	P 24,841,939,691
Total comprehensive loss for the year								
Net profit for the year	-	-	-	-	547,278,548	547,278,548	3,234,710	550,513,258
Fair value losses on available-for-sale financial assets	-	-	-	(726,270,000)	-	(726,270,000)	-	(726,270,000)
Remeasurements on retirement benefit obligation	-	-	-	25,147,080	-	25,147,080	113,662	25,260,742
Tax expense on remeasurement	-	-	-	(7,454,228)	-	(7,454,228)	-	(7,454,228)
Balance at December 31, 2015	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 839,520,384	P 4,215,917,504	P 24,064,674,464	P 619,314,999	P 24,683,989,463
Balance at January 1, 2014	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,980,515,883	P 3,186,793,388	P 24,176,545,847	P 613,408,076	P 24,789,953,923
Total comprehensive income for the year								
Net profit for the year	-	-	-	-	481,845,568	481,845,568	2,674,812	484,520,380
Fair value losses on available-for-sale financial assets	-	-	-	(365,950,000)	-	(365,950,000)	-	(365,950,000)
Remeasurements on retirement benefit obligation	-	-	-	(94,823,427)	-	(94,823,427)	(116,261)	(94,939,688)
Tax income on remeasurement	-	-	-	28,355,076	-	28,355,076	-	28,355,076
Balance at December 31, 2014	P 14,803,455,238	P 4,307,887,996	(P 102,106,658)	P 1,548,097,532	P 3,668,638,956	P 24,225,973,064	P 615,966,627	P 24,841,939,691

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	**2016**	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 844,979,538**	P 782,680,904	P 748,938,727
Adjustments for:				
Finance income	20	**(288,700,513)**	(289,256,386)	(338,397,394)
Finance costs	20	**199,569,995**	177,380,882	127,855,309
Dividend income	20	**(34,906,000)**	(34,906,000)	(42,788,000)
Depreciation and amortization	12,13	**33,826,974**	34,217,740	37,777,025
Impairment loss on receivable	6	**233,152**	94,375	62,244
Equity share in net losses (earnings) of associates	11	**(813,301)**	9,006,812	81,725
Operating profit before working capital changes		**754,189,845**	679,218,327	533,529,636
Decrease (increase) in trade and other receivables		**(1,540,416,065)**	230,526,025	(885,019,119)
Decrease (increase) in advances to related parties		**(17,022,753)**	(58,118,389)	97,431,225
Increase in residential and condominium units for sale		**(570,936,279)**	(1,478,407,262)	(3,924,472,242)
Decrease (increase) in property development costs		**(14,313,200)**	538,549,070	474,631,107
Decrease in prepayments and other current assets		**79,634,135**	196,774,448	102,089,591
Decrease in advances to landowners and joint ventures		**298,510,213**	170,453,857	11,239,780
Decrease (increase) in land held for future development		**-**	(706,728,979)	1,869,638,135
Decrease (increase) in other non-current assets		**(90,357)**	627	(154,430)
Increase in trade and other payables		**378,605,619**	367,625,402	164,193,169
Increase (decrease) in deferred gross profit on real estate sales		**27,036,679**	(10,146,942)	(21,695,493)
Increase (decrease) in customers' deposits		**(118,126,385)**	(995,610,078)	651,146,670
Increase (decrease) in reserve for property development		**(60,075,212)**	444,727,657	480,875,103
Increase in other current liabilities		**14,953,816**	119,089,459	144,971,919
Increase in retirement benefit obligation		**28,972,341**	51,773,782	34,125,993
Cash used in operations		**(739,077,603)**	(450,272,996)	(267,468,956)
Interest received		**79,545,277**	141,922,390	185,446,993
Cash paid for income taxes		**(112,603,233)**	(110,579,086)	(57,082,990)
Net Cash Used in Operating Activities		**(772,135,559)**	(418,929,692)	(139,104,953)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	20	**34,906,000**	34,906,000	42,788,000
Acquisitions of property and equipment	12	**(21,981,613)**	(14,796,377)	(14,227,073)
Interest received		**9,917,831**	6,822,758	5,145,818
Proceeds from sale of property and equipment	12	**181,205**	-	208,585
Additional investment in associates	11	**-**	(877,776,747)	-
Net Cash From (Used in) Investing Activities		**23,023,423**	(850,844,366)	33,915,330
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans and borrowings	14	**560,000,000**	2,310,000,000	-
Payments of interest-bearing loans and borrowings	14	**(110,453,128)**	(937,518,949)	(83,209,598)
Interest paid		**(93,222,309)**	(30,643,843)	(22,345,797)
Proceeds from additional advances from related parties	23	**5,566,893**	538,840,568	556,226,387
Repayments of advances from related parties	23	**(2,017,237)**	(34,181,534)	(28,439,048)
Net Cash From Financing Activities		**359,874,219**	1,846,496,242	422,231,944
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(389,237,917)**	576,722,184	317,042,321
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**1,398,235,836**	821,513,652	504,471,331
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 1,008,997,919**	P 1,398,235,836	P 821,513,652

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Company enters into non-cash transactions which include the following:

- Capitalization of interest expense as part of Residential and Condominium Units for Sale account (see Notes 7 and 14); and,
- Repayments of the Advances to Landowners through receipt of certain parcel of land and reclassifications to real estate assets upon full payment (see Note 9).

See Notes to Consolidated Financial Statements.

(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Empire East Land Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 15, 1994. The Company is presently engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. The Company also leases out commercial and industrial properties.

The shares of common stock of the Company are listed at the Philippine Stock Exchange (PSE).

As of December 31, the Company holds ownership interests in the following entities:

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership 2016	2015	2014
Subsidiaries:				
Eastwood Property Holdings, Inc. (EPHI)	(a)	100%	100%	100%
Valle Verde Properties, Inc. (VVPI)	(b)	100%	100%	100%
Sherman Oak Holdings, Inc. (SOHI)	(b)	100%	100%	100%
Empire East Communities, Inc. (EECI)	(c)	100%	100%	100%
Laguna BelAir Science School, Inc. (LBASSI)	(d)	73%	73%	73%
Sonoma Premier Land, Inc. (SPLI)	(b)	60%	60%	60%
20th Century Nylon Shirt Co., Inc. (20th Century)	(e)	100%	100%	-
Associates:				
Gilmore Property Marketing Associate, Inc. (GPMAI)	(b)	47%	47%	47%
Pacific Coast Megacity Inc. (PCMI)	(f)	20%	20%	-

Explanatory Notes:
(a) Subsidiary incorporated to market real estate properties of the Group and other related parties.
(b) Subsidiaries/associate incorporated in prior years but have not yet started commercial operations as of December 31, 2016.
(c) Subsidiary incorporated in prior year but ceased its operations as a marketing arm of real estate properties in 2014.
(d) Subsidiary primarily engaged in operating a school for primary and secondary education.
(e) Subsidiary acquired in 2015 which is yet to resume its operations.
(f) Associate acquired in 2015. The Company plans to acquire 100% ownership interest over a period of five years.

The registered office, which is also the place of operations of the Company's subsidiaries and associates, is located at 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City, except for EPHI, LBASSI, 20th Century and PCMI. The registered office, which is also the place of operations, of EPHI, LBASSI, 20th Century and PCMI are summarized below.

(a) EPHI – 28th Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City
(b) LBASSI – Brgy. Don Jose, Sta. Rosa, Laguna
(c) 20th Century – 632 Shaw Blvd. Highway Hills, Mandaluyong City
(d) PCMI – 7th Floor 1880 Building Eastwood City E. Rodriguez Jr. Ave. Bagumbayan, Quezon City

In prior years, the Company increased its ownership interest in VVPI and LBASSI resulting to 100% and 73% ownership control over the respective subsidiaries. This resulted in the recognition of goodwill which amounted to P78.3 million as of December 31, 2016 and 2015, and shown as part of Other Non-current assets account in the consolidated statements of financial position.

In February 2015, the Company acquired 100% ownership interest in 20th Century.

Also, in 2015, the Company invested in PCMI amounting to P877.8 million in exchange for 750,000,000 shares representing 20% ownership interest in the said company. The Company exercises significant influence over PCMI; hence, the investment is accounted as an Investment in Associate.

The Company is a subsidiary of Megaworld Corporation (Megaworld or parent company). Megaworld is engaged in the development of large scale mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The parent company is presently engaged in property-related activities, such as, project design, construction and property management. Megaworld is 67.25% owned by Alliance Global Group, Inc. (AGI), the Company's ultimate parent company. AGI is a holding company with diversified investments in food and beverage, real estate, tourism-entertainment and gaming and quick service restaurant businesses. The shares of common stock of both Megaworld and AGI are listed at the PSE.

The Company's registered office is located at 21st Floor, The World Centre Building, 330 Sen. Gil Puyat Avenue, Makati City. Megaworld's registered office is at 28th Floor of the same building as that of the Company. On the other hand, AGI's registered office is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriquez Jr. Avenue, Bagumbayan, Quezon City. These entities' registered offices are also their respective principal places of business.

The consolidated financial statements of Empire East Land Holdings, Inc. and Subsidiaries (the Group) as of and for the year ended December 31, 2016 (including the comparative consolidated financial statements as of December 31, 2015 and for the years ended December 31, 2015 and 2014) were authorized for issue by the Company's Board of Directors (BOD) on March 28, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements. The Group presents all items of income and expenses in a single statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the functional and presentation currency of the Group, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

a) Effective in 2016 that are Relevant to the Group

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and PAS 38 (Amendments)	:	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and PAS 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
PAS 28, PFRS 10 and PFRS 12 (Amendments)	:	Investment in Associates And Joint Ventures – Investment Entities – Applying the Consolidation Exception, Consolidated Financial Statements, Disclosure of Interests in Other Entities
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements	:	Annual improvements to PFRS (2012-2014 Cycle)

Discussed below and in the succeeding pages are the relevant information about these amendments and improvements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative.* The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, they clarify that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendments clarify that an entity's share in other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. They further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment,* and PAS 38 (Amendments), *Intangible Assets* – Clarification *of Acceptable Methods of Depreciation and Amortization*. The amendments in PAS 16 clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendments to PAS 38 introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendments also provide guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 41 (Amendments), *Agriculture – Bearer Plants.* The amendments define a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendments further clarify that produce growing on bearer plants remains within the scope of PAS 41.

(iv) PFRS 10 (Amendments), *Consolidated Financial Statements,* PFRS 12 (Amendments), *Disclosure of Interests in Other Entities*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception.* These amendments address the concerns that have arisen in the context of applying the consolidation exception for investment entities. They clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. These amendments also permit a non-investment entity investor, when

applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 11 (Amendments), *Joint Agreements – Accounting for Acquisitions of Interests in Joint Operations* (effective from January 1, 2016). These amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, Business Combinations, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(vi) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify the existing requirements:

- PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue.* The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts*. The amendments provide additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) Effective in 2016 but are not Relevant to the Group

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's consolidated financial statements:

PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 14	:	Regulatory Deferral Accounts
Annual Improvements to PFRS (2012-2014 Cycle)		
PAS 34 (Amendments)	:	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"
PFRS 5 (Amendments)	:	Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal
PFRS 7 (Amendments)	:	Applicability of Amendments to PFRS 7 to Condensed Interim Financial Statements

(c) Effective Subsequent to 2016 but not Adopted Early

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016 which are adopted by the FRSC. Management will adopt the relevant pronouncements as discussed below and in the succeeding pages in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for* Unrealized Losses (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a)existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(iii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iv) PFRS 15, *Revenue from Contracts with Customers* (effective from January 1, 2018).
This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*,

IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, R*evenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of Philippine Interpretations Committee Question & Answer No. 2016-04, *Application of PFRS 15, "Revenue from Contracts with Customers*,*" on Sale of Residential Properties under Pre-completion Contracts*, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction.

Management is currently assessing the impact of this standard on the Group's consolidated financial statements.

(v) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases.* For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similar to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its consolidated financial statements.

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

2.3 Basis of Consolidation and Interests in Joint Ventures

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting principles.

The Company accounts for its investments in subsidiaries, associates, non-controlling interests and interests in joint ventures as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (a) it has power over the entity, (b) it is exposed, or has rights to, variable returns from its involvement with the entity, and (c) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesess whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration Arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see also Note 2.9).

(b) Investments in Associates

Associates are those entities over which the Company is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the ownership interest in the equity of the associate are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share in Net Earnings (Losses) of Associates in the Group's consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investments in associates will not be recovered (see Note 2.17).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Interests in Joint Ventures

For interests in jointly controlled operations, the Group recognizes in its consolidated financial statements its share of the jointly controlled assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other venturers in relation to the joint venture, any income from the sale or use of its share of the output of the joint venture, and any expenses that it has incurred in respect of its interest in the joint venture. No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

The Company holds interests in various subsidiaries and associates as presented in Note 1.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, Financial Instruments: Presentation. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets currently relevant to the Group are discussed on the succeeding pages.

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to suppliers and contractors), and Advances to Related Parties accounts in the consolidated statements of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Group assesses at the end of each of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(ii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs accounts in the consolidated statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as other non-current assets.

2.6 Property and Equipment

Property and equipment are stated cost less accumulated depreciation, amortization and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building and other improvements	5-25 years
Transportation equipment	5 years
Office furniture and equipment	3-5 years

Leasehold improvements are amortized over the term of the lease or the useful lives of the improvements, whichever is shorter.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

2.7 Investment Property

Investment property consists of building and office/commercial units held for lease and a parcel of land held for capital appreciation. Land held for capital appreciation is measured at cost less any impairment while building and office/commercial units held for lease are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation for building and office/commercial units classified as investment property is computed on the straight-line basis over the estimated useful life of 20 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

2.8 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables (except tax-related liabilities), advances from related parties and other current liabilities, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges, except capitalized borrowing costs, incurred on a financial liability are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables, advances from related parties and other current liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities when dividends are approved by the BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.9 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.17).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.10 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.11 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.12 Real Estate Transactions and Revenue and Expense Recognition

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title to the property to the Group, are charged to the Land Held for Future Development account. These costs are reclassified to the Property Development Costs account as soon as the Group starts the development of the property. Related property development costs are then accumulated in this account. A reclassification from Property Development Costs account to Residential and Condominium Units for Sale account is made once the project has been made available for sale to market. Interest on certain loans incurred during the development of the real estate properties are also capitalized as part of the Property Development Costs or Residential and Condominium Units for Sale accounts (see Note 2.19). Revenues, on the other hand, are recognized when certain percentage of total contract price is collected.

Costs of properties and projects accounted for as Land Held for Future Development, Property Development Costs and Residential and Condominium Units for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

For financial reporting purposes, revenues on sales of residential and condominium units are recognized using the percentage-of-completion method. Under this method, revenue is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. Uncompleted portion of gross profit in condominium and residential units sold are recognized in the Deferred Gross Profit on Real Estate Sales in the consolidated statement of financial position. Completed portion during the year from Deferred Gross Profit on Real Estate Sales of prior year is recognized as income under Realized Gross Profit on Prior Years' Sales in the consolidated statement of comprehensive income. Collections, which have not yet met the threshold (determined as a certain percentage of the net contract price) before a sale is recognized, are initially recorded as Advances from customers under the Customers' Deposits account in the consolidated statement of financial position.

Revenue and cost relating to forfeited or backed-out sales are reversed in the current year as they occur. Any collections received from customers which will not be refunded are recognized as Forfeited collections and deposits, included as part of Other Income in the consolidated statement of comprehensive income.

For tax purposes, revenue on sales of condominium units is recognized in full in the year of sale when a certain percentage of the net contract price has been received. However, the taxable income for the year is computed based on collections from the sales.

Cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of real estate property sold, as determined by the entities' project engineers, are charged to the cost of residential and condominium units sold with a corresponding credit to the Reserve for Property Development account, which pertains to the remaining costs that will be incurred relative to the development/construction of the sold units.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations in the period in which the loss is determined.

Revenues, other than those originating from real estate transactions, are recognized to the extent that it is probable that future economic benefits will flow to the Group; revenue can be measured reliably; and, the costs incurred or to be incurred can be measured reliably. The following specific recognition criteria must also be met before revenue is recognized:

(a) *Rental income* – Lease income from operating lease is recognized on a straight-line basis over the lease term [see Note 2.14(b)].

(b) *Forfeited collections and deposits* – Revenue is recognized in the year the contract was cancelled.

(c) *Marketing and management fees* – Revenue is recognized when the performance of contractually agreed services have been substantially rendered.

(d) *Tuition and miscellaneous fees* – Revenue is recognized over the corresponding school term.

(e) *Interest income* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(f) Dividends – Revenue is recognized when the stockholders' right to receive the payment is established.

Other costs and expenses are recognized in profit or loss upon utilization of the services, receipt of goods or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.19).

2.13 Commissions

Commissions represent a certain percentage of contract price given to the real estate brokers and/or agents who handle the sales and marketing of the Group's residential and high-rise projects. Commissions are recognized as expense in the period in which they are incurred.

2.14 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the consolidated profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the consolidated profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.15 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, Operating Segments, are the same as those used in its consolidated financial statements, except that post-employment benefit expense is not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.16 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the consolidated statement of comprehensive income.

2.17 Impairment of Non-financial Assets

The Group's advances to landowners and joint ventures, investment in associates, investment property, property and equipment, goodwill and other non-financial assets are tested for impairment. Goodwill is tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested for impairment either individually or at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated regularly by an independent actuary using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond as published by Philippine Dealing & Exchange (PDEx) Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements,comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.19 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. For financial reporting purposes, interest and other costs on certain borrowings that are attributable to the acquisition, construction or development of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of Property Development Costs and Residential and Condominium Units for Sale accounts in the consolidated statement of financial position (see Note 2.12). The capitalization of borrowing costs commences when expenditures for the asset are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.20 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of each reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.21 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.22 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. For the years ended December 31, 2016, 2015 and 2014, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

2.23 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury stock are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves arise from remeasurements on retirement benefit obligation, net of applicable taxes, and unrealized gains and losses arising from fair value changes of AFS financial assets.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the consolidated statement of comprehensive income.

2.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Revenue Recognition

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(b) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, no impairment losses was recognized in the Group's AFS financial assets in 2016, 2015 and 2014. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(c) Distinction Among Investment Property, Owner-managed Properties and Land Held for Future Development

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process while land held for future development are properties intended solely for future development.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Based on management's assessment, properties held for lease and for capital appreciation qualifies as investment property.

(d) Distinction Between Residential and Condominium Units for Sale and Investment Properties

Residential and condominium units for sale comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Group considers management's intention over these assets in making its judgment.

(e) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Based on management's assessment, all of the Group's current lease agreements are classified as operating leases.

(f) Distinction Between Asset Acquisition and Business Combinations

The Company acquires subsidiaries that own real estate properties. At the time of acquisition, the Company considers whether the acquisition represents the acquisition of a business. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40, Investment Property, on ancillary services.

In 2015, the Company acquired 100% ownership interest in 20th Century as described in Note 1.

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant contingencies are presented in Note 26.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Impairment of Trade and Other Receivables and Advances to Related Parties

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, their current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying values of trade and other receivables and advances to related parties are shown in Notes 6 and 23. Based on management's assessments, no provision for impairment losses on Trade and Other Receivables and Advances to Related Parties needed to be recognized in 2016, 2015 and 2014.

(b) Determination of Net Realizable Value of Residential and Condominium Units for Sale, Property Development Costs and Land Held for Future Development

In determining the net realizable value of residential and condominium units for sale, property development costs and land held for future development, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of these assets is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's Residential and Condominium Units for Sale, Property Development Costs and Land Held for Future Development accounts within the next reporting period.

Considering the Group's pricing policy, the net realizable values of real estate, residential and condominium units for sale, property development costs and land held for future development are higher than their related carrying values as of the end of the reporting periods.

(c) Estimation of Useful Lives of Property and Equipment and Investment Property

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment and investment property are analysed in Notes 12 and 13, respectively. Based on management's assessment as at December 31, 2016 and 2015, there is no change in estimated useful lives of property and equipment and investment property during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The carrying values of the Group's deferred tax assets as of December 31, 2016 and 2015 are disclosed in Note 22.2.

(e) Impairment of Goodwill and Other Non-financial Assets

Goodwill is reviewed annually for impairment while other non-financial assets are tested whenever certain impairment indicators become present. In assessing impairment, the management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Also, the Group's policy on estimating the impairment of goodwill and other non-financial assets is discussed in detail in Note 2.17. Though the Group believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on goodwill, advances to landowners and joint ventures, investments in associates, property and equipment, investment property, and other non-financial assets in 2016, 2015 and 2014 (see Notes 1, 9, 11, 12 and 13).

(f) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by an actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the retirement benefit obligation in the next reporting period.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 21.2.

(g) Revenue Recognition Using the Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of this method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. There were no changes in the assumptions or basis for estimation during the year.

(h) Determination of Fair Value of Investment Property

Investment property is measured using the cost model. The fair value disclosed in Note 29.4 to the consolidated financial statements is determined by the Group using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations.

The fair values of the properties were derived using the observable recent prices of the reference properties and were adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the properties.

The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting periods. A significant change in these elements may affect prices and the value of the assets.

(i) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in the consolidated statement of comprehensive income in the subsequent period.

4. SEGMENT REPORTING

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development and marketing of mid-cost housing projects in the form of condominium communities, subdivision lots and house and lot packages, and commercial units to a limited extent. It classifies and monitors its projects into high-rise and horizontal. High-rise projects refer to condominiums and other medium scale properties while the horizontal projects refer to house and lot packages and subdivision lots. Both are intended for middle income market.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating receivables, property development costs and residential and condominium units for sale. Segment liabilities include all operating liabilities incurred by management in each particular segment.

4.3 Intersegment Transactions

There are no intersegment transactions. In case of inter-segment sales and transfers, the Group generally accounts for them as if the sales or transfers were made to third parties at current market prices. Intersegment sales and transfers, if any, are eliminated in the preparation of the consolidated financial statements.

4.4 Analysis of Segment Information

Segment information for the years ended December 31, 2016, 2015 and 2014 is analyzed in the succeeding pages.

	High Rise Projects			**Horizontal Projects**			**Total**		
	2016	2015	2014	**2016**	2015	2014	**2016**	2015	2014
REVENUES									
Real estate sales	**P 3,473,749,329**	P 1,989,641,166	P 2,606,331,123	**P 651,089,607**	P 2,027,731,382	P 873,860,443	**P 4,124,838,936**	P 4,017,372,548	P 3,480,191,566
Finance income	**113,231,003**	138,358,950	216,913,253	**16,390,003**	6,407,363	(5,855,810)	**129,621,006**	144,766,313	211,057,443
Rental income	**81,534,364**	84,969,766	91,652,776	**18,502,697**	17,648,547	17,133,640	**100,037,061**	102,618,313	108,786,416
Realized gross profit on prior years' sale	**69,595,743**	64,055,734	62,338,430	-		51,472,479	**69,595,743**	64,055,734	113,810,909
Others	**192,345,196**	191,457,440	214,791,657	**33,362,882**	12,210,078	42,144,945	**225,708,078**	203,667,518	256,936,602
	3,930,455,635	2,468,483,056	3,192,027,239	**719,345,189**	2,063,997,370	978,755,697	**4,649,800,824**	4,532,480,426	4,170,782,936
COSTS AND OTHER OPERATING EXPENSES									
Cost of real estate sales	**2,402,537,567**	1,354,772,805	1,822,392,339	**249,555,600**	1,260,530,353	478,045,880	**2,652,093,167**	2,615,303,158	2,300,438,219
Rentals	**163,148,680**	177,547,914	103,940,256	**1,364,193**	2,003,751	10,112,477	**164,512,873**	179,551,665	114,052,733
Commissions	**119,923,652**	184,616,757	125,878,411	**11,585,302**	23,037,529	31,038,978	**131,508,954**	207,654,286	156,917,389
Deferred gross profit on current year's sales	**96,603,442**	53,657,526	91,662,975	**28,980**	251,265	452,442	**96,632,422**	53,908,791	92,115,417
Advertising and promotion	**69,862,095**	110,747,939	62,287,965	**11,021,550**	20,230,020	16,321,735	**80,883,645**	130,977,959	78,609,700
Taxes and licenses	**35,775,392**	19,188,727	16,858,491	**9,978,173**	14,113,029	10,437,720	**45,753,565**	33,301,756	27,296,211
Association dues	**18,498,036**	21,469,983	24,323,939	**5,396,444**	-	-	**23,894,480**	21,469,983	24,323,939
Salaries and employee benefits	**702,535**	-	4,856	**383,775**	470,281	473,242	**1,086,310**	470,281	478,098
Others	**25,802,963**	38,295,591	20,179,055	**12,426,729**	12,056,949	9,686,452	**38,229,692**	50,352,540	29,865,507
Cost and other operating expenses excluding depreciation and amortization	**2,932,854,362**	1,960,297,242	2,267,528,287	**301,740,746**	1,332,693,177	556,568,926	**3,234,595,108**	3,292,990,419	2,824,097,213
Depreciation and amortization	**3,351,288**	3,376,678	3,360,116	**13,766,082**	14,009,866	13,990,685	**17,117,370**	17,386,544	17,350,801
	2,936,205,650	1,963,673,920	2,270,888,403	**315,506,828**	1,346,703,043	570,559,611	**3,251,712,478**	3,310,376,963	2,841,448,014
SEGMENT OPERATING PROFIT	**P 994,249,985**	P 504,809,136	P 921,138,836	**P 403,838,361**	P 717,294,327	P 408,196,086	**P 1,398,088,346**	P 1,222,103,463	P 1,329,334,922
SEGMENT ASSETS AND LIABILITIES									
Segment assets	**P 19,960,825,206**	P 18,022,176,206	P 16,657,976,354	**P 5,883,290,460**	P 5,866,248,749	P 6,611,226,516	**P 25,844,115,666**	P 23,888,424,955	P 23,269,202,870
Segment liabilities	**1,798,242,997**	1,831,267,195	1,397,195,150	**185,849,534**	185,863,869	185,355,199	**1,984,092,531**	2,017,131,064	1,582,550,349

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2016	2015	2014
Revenues			
Total segment revenues	P 4,649,800,824	P 4,532,480,426	P 4,170,782,936
Unallocated revenues:			
Finance income	193,985,507	179,396,073	170,127,951
Commissions	126,759,525	143,273,471	134,923,506
Rental income from investment property	5,308,465	3,433,605	3,026,332
Equity share in net earnings (losses) of associates	813,301	(9,006,812)	(81,725)
Other income	220,592,398	209,087,790	96,918,311
	547,459,196	526,184,127	404,914,375
Revenues as reported in the consolidated statements of comprehensive income	P 5,197,260,020	P 5,058,664,553	P 4,575,697,311
Profit or loss			
Segment operating profit	P 1,398,088,346	P 1,222,103,463	P 1,329,334,922
Other unallocated income	547,459,196	526,184,127	404,914,375
Other unallocated expenses	(1,344,471,789)	(1,197,774,332)	(1,249,728,917)
Net profit as reported in the consolidated statements of comprehensive income	P 601,075,753	P 550,513,258	P 484,520,380
Assets			
Segment assets	P 25,844,115,666	P 23,888,424,955	
Unallocated assets:			
Cash and cash equivalents	1,008,997,919	1,398,235,836	
Trade and other receivables	2,797,096,132	2,482,366,119	
Advances to related parties	2,311,257,801	2,146,804,221	
Prepayments and other current assets	381,730,305	461,364,440	
Available-for-sale financial assets	1,439,028,000	1,812,860,000	
Advances to landowners and joint ventures	306,871,395	605,381,608	
Land held for future development	2,925,390,962	2,925,390,962	
Investment in associates	1,162,873,746	1,162,060,445	
Property and equipment - net	155,444,595	150,777,539	
Investment property - net	135,249,248	151,942,870	
Other non-current assets	84,702,690	84,612,333	
	12,708,642,793	13,381,796,373	
Total assets as reported in consolidated statements of financial position	P 38,552,758,459	P 37,270,221,328	
Liabilities			
Segment liabilities	P 1,984,092,531	P 2,017,131,064	
Unallocated liabilities:			
Interest-bearing loans and borrowings	1,958,549,476	1,509,002,604	
Trade and other payables	1,451,139,792	1,072,574,728	
Customers' deposits	2,494,778,962	2,612,905,347	
Advances from related parties	3,012,266,199	2,832,787,394	
Income tax payable	20,510,077	20,750,928	
Other current liabilities	584,715,486	569,761,670	
Retirement benefit obligation	528,514,895	479,298,630	
Deferred tax liabilities - net	1,604,579,980	1,472,019,500	
	11,655,054,867	10,569,100,801	
Total liabilities as reported in consolidated statements of financial position	P 13,639,147,398	P 12,586,231,865	

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2016	2015
Cash on hand and in banks	**P 743,801,125**	P 505,847,642
Short-term placements	**265,196,794**	892,388,194
	P 1,008,997,919	P 1,398,235,836

Cash in banks generally earn interest based on the daily bank deposit rates.

Peso-denominated short-term placements are made for varying periods of up to 60 days in 2016, 2015 and 2014 and earn annual effective interest ranging from 0.2% to 2.3% in 2016, 0.1% to 2.5% in 2015 and 0.2% to 3.6% in 2014. Dollar-denominated short-term placements are made for varying periods of up to 38 days in 2016, 78 days in 2015 and 91 days in 2014 and earn annual effective interest ranging from 0.4% to 0.8% in 2016, 0.4% to 1.5% in 2015 and 0.3% to 1.5% in 2014 (see Note 20.1).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	**2016**	2015
Current:			
Trade receivables	23.2	**P 2,955,976,103**	P 2,291,500,689
Advances to suppliers and contractors		**1,214,267,596**	1,035,936,136
Interest receivable	23.4	**255,382,279**	279,553,577
Rent receivable	23.2	**226,108,133**	175,745,272
Management fee receivable	23.2	**135,720,045**	-
Others		**234,319,157**	228,503,315
		5,021,773,313	4,011,238,989
Allowance for impairment		**(462,402)**	(501,232)
		5,021,310,911	4,010,737,757
Non-current:			
Trade receivables		**2,626,277,146**	2,048,798,849
Refundable security deposits		**92,166,896**	88,228,856
Others		**63,820,351**	63,820,351
		2,782,264,393	2,200,848,056
		P 7,803,575,304	P 6,211,585,813

The Group's trade and other receivables have been reviewed for indications of impairment. Certain trade receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment on current trade and other receivables at the beginning and end of 2016 and 2015 is shown below.

	2016	2015
Balance at beginning of year	**P 501,232**	P 571,590
Write-off during the year	**(235,421)**	(144,733)
Impairment losses during the year	**233,152**	94,375
Recovery of accounts previously provided with allowance	**(36,561)**	(20,000)
Balance at end of year	**P 462,402**	P 501,232

Trade receivables of the Group are either interest-bearing or noninterest-bearing. The installment period of interest-bearing sales contracts ranges from 2 to 15 years. Interest-bearing receivables bear interest rates comparable to market rates. The related interest earned on these sales contracts amounting to P54.2 million in 2016, P89.5 million in 2015 and P145.4 million in 2014 are reported as part of Finance Income in the consolidated statements of comprehensive income (see Note 20.1).

The installment period of noninterest-bearing sales contracts ranges from three to five years. Noninterest-bearing trade receivables are measured at amortized cost using the effective interest method based on the interest rate of comparable financial instruments in the market. Amortization of day-one loss amounting to P75.4 million in 2016, P55.3 million in 2015 and P65.7 million in 2014 are presented as part of Finance Income in the consolidated statements of comprehensive income (see Note 20.1).

All trade receivables are subject to credit risk exposure. The Group, however, does not identify specific concentrations of credit risk with regard to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers. In addition, certain accounts receivable from trade customers are covered by post-dated checks. The Group also retains the titles to the property until such time that the trade receivables are fully collected. Repossessed properties are offered for sale to other customers.

The Group partially finances its real estate projects and other business undertakings through assignment of its trade receivables on a with recourse basis with certain local banks (see Note 14).

Advances to suppliers and contractors represent downpayments made by the Group to the suppliers and contractors based on a certain percentage of the contract price, construction materials purchased by the Group that are used by the contractors, and utility consumption that are chargeable to contractors. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the suppliers and contractors.

Refundable deposits include various deposits to third parties for electrical, internet subscription, exhibits and other utilities, and equipment needed in the development of the projects. All deposits, except for deposits to an electric company, do not earn interest. Such deposits are only refundable upon completion of the projects or upon return of the equipment used. However, the exact date or period of completion of projects or return of equipment is indeterminable. Accordingly, refundable deposits are accounted for at cost.

Other receivables, both current and non-current, include association dues, advances to joint ventures for processing of business permits and licenses, and unliquidated advances from employees and real estate consultants.

7. REAL ESTATE INVENTORIES

7.1 Residential and Condominium Units for Sale

This account represents the accumulated costs incurred, net of recognized cost of real estate sales in the consolidated statements of comprehensive income (see Note 18), on house and lots and condominium units available for sale. The subdivision houses include houses that are ready for occupancy, house models and units under construction.

Total borrowing costs capitalized to this account amounted to P93.2 million, P26.3 million and P15.8 million in 2016, 2015 and 2014, respectively (see Note 14).

Certain properties presented as part of Residential and Condominium Units for Sale with total estimated carrying value of P188.4 million and P312.1 million as of December 31, 2016 and 2015, respectively, are used as security for the Group's interest-bearing loans and borrowings (see Note 14).

7.2 Property Development Costs

This account pertains to accumulated costs incurred on projects which are not yet offered for sale as of the end of the reporting periods.

7.3 Net Realizable Value

Management believes that the net carrying amounts of these assets are lower than their net realizable values considering present market rates; hence, no provisions for write-down of real estate inventories have been recognized in the consolidated financial statements.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The movement of the carrying amounts of AFS financial assets is as follows:

	2016	2015
Balance at beginning of year	**P 1,812,860,000**	P 2,539,130,000
Fair value losses	**(373,832,000)**	(726,270,000)
Balance at end of year	**P 1,439,028,000**	P 1,812,860,000

AFS financial assets pertains to investments held by EPHI in equity securities of the ultimate parent company, whose shares are listed in the PSE. The fair value of these securities has been determined directly by reference to published prices in an active market. The fair value of these investments as of December 31, 2016 and 2015, is categorized as Level 1 in the fair value hierarchy (see Note 29.2).

The net accumulated fair value gains or losses in AFS financial assets is shown as part of Revaluation Reserves in the equity section of the consolidated statements of financial position (see Note 24.3).

Dividends earned amounted to P34.9 million both in 2016 and 2015, and P42.8 million in 2014 and are presented as Dividend income under Finance Income in the consolidated statements of comprehensive income (see Note 20.1).

9. ADVANCES TO LANDOWNERS AND JOINT VENTURES

The cash advances made by the Group relate to a number of joint venture agreements entered into with landowners covering the development of certain parcels of land. The joint venture agreements stipulate that the Group's joint venture partners shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded under the Residential and Condominium Units for Sale and Property Development Costs accounts in the consolidated statements of financial position (see Note 7). In addition to providing specified portion of the total project development costs, the Group also commits to advance mutually agreed-upon amounts to the landowners which will then be used for purposes such as reconsolidation/separation/subdivision of mother titles and relocation of existing occupants. Repayments of these advances may be made upon completion of the project development either in the form of residential condominium, commercial units or developed lots corresponding to the landowners' share in the projects or in the form of cash to be derived from the sales of the landowners' share in the saleable lots and residential condominium units.

The reconciliation of advances to landowners and joint ventures as of December 31, 2016 and 2015 are as follows:

	2016	2015
Advances to landowners:		
Balance at beginning of year	**P 25,000,029**	P 91,143,779
Reclassifications	**-**	(66,143,750)
Balance at end of year	**25,000,029**	25,000,029
Advances to joint ventures:		
Balance at beginning of year	**580,381,579**	684,691,686
Collections	**(298,510,213)**	(104,310,107)
Balance at end of year	**281,871,366**	580,381,579
	P 306,871,395	P 605,381,608

In 2015, the Group reclassified an amount of P16.1 million to Property Development Costs account presented as current asset in the consolidated statement of financial position upon full payment of the Group's purchase of a property located in Batangas.

In 2014, the Group advanced an amount of P50.0 million as down payment to acquire a property owned by 20th Century located in Mandaluyong City. However, in 2015, the Group decided to acquire instead the entire shares of 20th Century. Hence, advance payment made in 2014 was reclassified to the Investments in Subsidiaries and Associates account in the 2015 statement of financial position (see Note 1).

The Group commits to develop the properties based on the terms agreed with the joint venture partners. The Group has no existing commitment for cash advances under the joint venture agreements as this commitment has been fully complied with by the Group as of December 31, 2016 and 2015.

The net commitment for construction expenditures amounts to:

	2016	2015
Total commitment for construction expenditures	**P 9,560,904,389**	P 9,560,904,389
Total expenditures incurred	**(6,594,669,603)**	(5,246,924,674)
Net commitment	**P 2,966,234,786**	P 4,313,979,715

The Group's interest in jointly controlled operations and projects ranges from 55% to 82% in 2016 and 2015. The Group's jointly controlled projects are as follows:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

As of December 31, 2016 and 2015, the Group has no other material contingent liabilities with regard to these joint ventures.

10. LAND HELD FOR FUTURE DEVELOPMENT

This account includes cost of several parcels of land acquired by the Group and other costs incurred to effect the transfer of the title of the properties to the Group. Most of these properties are located in Metro Manila and Calabarzon areas and are intended for future development. Real estate taxes paid relating to these properties amounted to P2.3 million, P2.5 million and P2.0 million in 2016, 2015 and 2014, respectively, and is presented as part of Taxes and Licenses in the consolidated statements of comprehensive income. Considering the Group's pricing policy, management believes that the net realizable value of land held for future development is higher than its related carrying value as of the end of the reporting periods.

11. INVESTMENTS IN ASSOCIATES

The components of investments in associates as of December 31, 2016 and 2015 are as follows:

	2016		2015	
	% Interest Held	**Amount**	% Interest Held	Amount
Investments in associates – at equity				
Acquisition costs:				
PCMI	**20%**	**P 877,776,747**	20%	P 877,776,747
GPMAI	**47%**	**293,960,618**	47%	293,960,618
		1,171,737,365		1,171,737,365
Accumulated equity in net earnings:				
Balance at beginning of year		**(9,676,920)**		(670,108)
Equity share in net earnings (losses) for the year		**813,301**		(9,006,812)
Balance at end of year		**(8,863,619)**		(9,676,920)
		P 1,162,873,746		P 1,162,060,445

11.1 Purchase of PCMI

In 2015, the Company acquired 20% ownership interest in PCMI amounting to P877.8 million. The Company exercises significant influence but not control over PCMI; hence, the investment is accounted as an Investment in Associate.

11.2 Summarized Financial Information

The aggregated amounts of assets, liabilities and net loss of the associates are as follows:

	Assets	Liabilities	Revenues	Net Loss
2016:				
PCMI	P 2,451,853,311	P 8,432,960	P 3,065	(P 6,422,005)
GPMAI	597,262,846	11,989,282	3,093,679	(1,728,757)
	P 3,049,116,157	**P 20,422,242**	**P 3,096,744**	**(P 8,150,762)**
2015:				
PCMI	P 2,458,015,617	P 8,172,960	P 8,123	(P 9,234,061)
GPMAI	598,975,335	11,973,014	3,349,927	(7,955,482)
	P 3,056,990,952	**P 20,145,974**	**P 3,358,050**	**(P 17,189,543)**

As of December 31, 2016 and 2015, there are no available fair values for these investments in associates as they are not listed in stock markets. The related book values of these investments amounted to P1,171.7 million as of December 31, 2016 and 2015.

11.3 Contingent Liabilities

As of December 31, 2016 and 2015, the Company has no contingent liabilities for subsidiaries and associates which were incurred jointly with other investors and the Company is not severally liable for all or part of the contingent liabilities of the subsidiaries and associates.

Based on management's assessment, the Group's investments in associates are not impaired due to the active efforts of the Company to fund their respective operations.

12. PROPERTY AND EQUIPMENT

As of December 31, 2016 and 2015, this account includes land amounting to P81.1 million which is used as LBASSI's school site. The gross carrying amounts and accumulated depreciation and amortization of other items of property and equipment at the beginning and end of 2016 and 2015 are shown below.

	Building and Other Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Total
December 31, 2016					
Cost	P 78,030,609	P 67,449,835	P 66,887,071	P 133,561,593	P 345,929,108
Accumulated depreciation and amortization	(34,064,531)	(63,845,726)	(52,196,761)	(121,472,495)	(271,579,513)
Net carrying amount	**P 43,966,078**	**P 3,604,109**	**P 14,690,310**	**P 12,089,098**	**P 74,349,595**
December 31, 2015					
Cost	P 74,353,446	P 66,933,359	P 55,313,073	P 127,261,868	P 323,861,746
Accumulated depreciation and amortization	(31,059,484)	(60,885,483)	(48,790,111)	(113,444,129)	(254,179,207)
Net carrying amount	**P 43,293,962**	**P 6,047,876**	**P 6,522,962**	**P 13,817,739**	**P 69,682,539**
January 1, 2015					
Cost	P 74,190,122	P 61,489,310	P 51,703,111	P 121,858,719	P 309,241,262
Accumulated depreciation and amortization	(28,094,085)	(57,402,832)	(45,738,945)	(105,570,906)	(236,806,768)
Net carrying amount	**P 46,096,037**	**P 4,086,478**	**P 5,964,166**	**P 16,287,813**	**P 72,434,494**

A reconciliation of the carrying amounts at the beginning and end of 2016 and 2015 is shown below and in the succeeding page.

	Building and Other Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Total
Balance at January 1, 2016, net of accumulated depreciation and amortization	P 43,293,962	P 6,047,876	P 6,522,962	P 13,817,739	P 69,682,539
Additions	3,669,807	516,476	11,903,461	5,891,870	21,981,613
Disposal	-	-	(181,205)	-	(181,205)
Depreciation and amortization charges for the year	(2,997,691)	(2,960,243)	(3,554,908)	(7,620,511)	(17,133,352)
Balance at December 31, 2016, net of accumulated depreciation and amortization	**P 43,966,078**	**P 3,604,109**	**P 14,690,310**	**P 12,089,098**	**P 74,349,595**

	Building and Other Improvements	Leasehold Improvements	Transportation Equipment	Office Furniture and Equipment	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 46,096,037	P 4,086,478	P 5,964,166	P 16,287,813	P 72,434,494
Additions	163,324	5,444,049	3,609,962	5,579,042	14,796,377
Depreciation and amortization charges for the year	(2,965,399)	(3,482,651)	(3,051,166)	(7,913,701)	(17,412,917)
Reclassification	-	-	-	(135,415)	(135,415)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P 43,293,962	P 6,047,876	P 6,522,962	P 13,817,739	P 69,682,539

The amount of depreciation and amortization of property and equipment is presented as part of Depreciation and Amortization under Costs and Expenses in the consolidated statements of comprehensive income.

The cost of fully depreciated assets still used in business amounted to P180.6 million and P179.2 million as of December 31, 2016 and 2015, respectively.

13. INVESTMENT PROPERTY

The Group's investment property pertains to building and office/commercial units held for lease and a parcel of land held for capital appreciation. Rental revenues recognized for the years ended December 31, 2016, 2015 and 2014 amounted to P105.3 million, P106.1 million and P111.8 million, respectively, and are presented as Rental Income in the consolidated statements of comprehensive income. Real estate taxes and depreciation substantially represent direct costs incurred related to these properties. Real estate tax amounting to P1.4 million in 2016, 2015 and 2014 was recognized as a related expense and presented as part of Taxes and Licenses in the consolidated statements of comprehensive income.

The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of 2016 and 2015 is shown below.

	2016	2015
Cost	**P 337,136,458**	P 337,136,458
Accumulated depreciation	**(201,887,210)**	(185,193,588)
Net carrying amount	**P 135,249,248**	P 151,942,870

A reconciliation of the carrying amount of investment property at the beginning and end of 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Balance at January 1, net of accumulated depreciation	**P 151,942,870**	P 168,747,693	P 185,552,516
Depreciation charges for the year	**(16,693,622)**	(16,804,823)	(16,804,823)
Balance at December 31, net of accumulated depreciation	**P 135,249,248**	P 151,942,870	P 168,747,693

The amount of depreciation on investment property is presented as part of Depreciation and Amortization under Costs and Expenses in the consolidated statements of comprehensive income.

Other information relating to fair value measurements and disclosures of investment property are disclosed in Note 29.4.

14. INTEREST-BEARING LOANS AND BORROWINGS

Philippine Peso, unsecured seven-year loan due in 2022
In 2015, the Group obtained an interest-bearing seven-year P2.0 billion loan from a local bank. The loan was released in three tranches from 2015 to 2016 and bears fixed interest of 5.4% for the first and second tranches, and floating rate ranging from 3.2% to 3.5% subject to quarterly re-pricing for the third tranche. The proceeds of the loan were used to fund the development of the Group's various real estate projects. The outstanding balance pertaining to this loan amounted to P1,916.6 million and P1,440.0 million as at December 31, 2016 and 2015, respectively.

Philippine Peso, loans through assignment of receivables
In prior years, the Group obtained loans from local banks by assigning certain trade receivables on a with recourse basis (see Note 6). The loans bear fixed interest rates ranging from 7.0% to 9.0% and are being paid as the related receivables are collected. The loans are secured by certain properties presented as part of Residential and Condominium Units for Sale with total estimated carrying value of P188.4 million and P312.1 million as of December 31, 2016 and 2015, respectively (see Note 7.1). The outstanding balance pertaining to these loans amounted to P41.9 million and P69.0 million as of December 31, 2016 and 2015, respectively.

Certain bank loans require the Group to maintain a debt-to-equity ratio of not more than 1:1 and a current ratio of not less than 2:1. As of December 31, 2016 and 2015, the Group is in compliance with such financial covenant obligation.

Total interest on these interest-bearing loans and borrowings in 2016, 2015 and 2014 amounted to P93.2 million, P26.3 million and P15.8 million, respectively, and are directly attributable to the construction of the Group's projects; hence, capitalized as part of Residential and Condominium Units for Sale account in the consolidated statements of financial position (see Note 7.1). Unpaid interest as of December 31, 2016 and 2015 amounted to P0.4 million in both years and is presented as Interest payable under the Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2016**	2015
Trade payables		**P 1,278,406,615**	P 945,343,753
Taxes payable		**88,223,804**	75,781,966
Accrued expenses	23.5	**75,765,287**	40,928,665
Commissions		**7,759,017**	9,759,017
Interest payable	14	**396,773**	437,328
Miscellaneous		**588,296**	323,999
		P 1,451,139,792	P 1,072,574,728

Accrued expenses include the Group's obligations to its suppliers that are expected to be settled within 12 months from the end of the reporting period. These liabilities arise mainly from accrual of construction expenditures incurred during the year.

16. CUSTOMERS' DEPOSITS

Presented below are the details of this account.

	2016	2015
Advances from customers	P 1,959,018,127	P 2,171,548,063
Other deposits	535,760,835	441,357,284
	P 2,494,778,962	P 2,612,905,347

Advances from customers represent cash received from customers for real estate property purchases which have not yet reached the sales recognition threshold of the Group. The advances are deducted from the contract price once the related real estate sales are recognized by the Group.

Other deposits mainly pertain to cash received from customers for miscellaneous fees and other related expenses to process the transfer of title to customers.

17. OTHER CURRENT LIABILITIES

As of December 31, other current liabilities include the following:

	2016	2015
Retention payable	P 528,112,954	P 521,984,871
Refundable deposits	35,709,449	26,077,394
Deferred income	10,140,383	9,802,389
Miscellaneous	10,752,700	11,897,016
	P 584,715,486	P 569,761,670

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects, which ranges from 5% to 10% of every billing made by the contractor. Upon completion of the contracted projects, submission of required bonds and final acceptance of works, the amounts are returned to contractors.

Deferred income represents unearned tuition, miscellaneous and other fees relating to the portion of the school year applicable to the succeeding financial year.

18. COST OF REAL ESTATE SALES

The total cost of real estate sales for the years ended December 31, are as follows:

	2016	2015	2014
Actual costs	P 2,071,307,001	P 2,219,237,029	P 1,635,161,064
Estimated costs	580,786,166	396,066,129	665,277,155
	P 2,652,093,167	P 2,615,303,158	P 2,300,438,219

The breakdown of the cost of real estate sales are as follows (see Note 7):

	2016	2015	2014
Contracted services	P 2,256,933,387	P 2,029,736,881	P 1,810,033,099
Land cost	331,041,576	531,119,337	426,583,937
Borrowing costs	48,767,216	33,842,962	41,019,614
Others	15,350,988	20,603,978	22,801,569
	P 2,652,093,167	P 2,615,303,158	P 2,300,438,219

19. OTHER INCOME AND EXPENSES

19.1 Other Income

The details of this account are shown below.

	Note	2016	2015	2014
Forfeited collections and deposits		P 225,708,078	P 203,546,999	P 258,958,962
Marketing and management fees	23.2	170,503,780	152,337,451	45,266,136
Tuition and miscellaneous fees		46,783,056	52,700,885	46,424,880
Miscellaneous		3,305,562	4,169,973	3,204,935
		P 446,300,476	P 412,755,308	P 353,854,913

Forfeited collections and deposits include reservation fees and all payments made by delinquent buyers. This also includes portion of payments received by the Group upon approval of buyer's request to transfer to other units.

Miscellaneous fees include registration fees, medical and dental fees, laboratory fees, energy fees, and other fees charged to students upon enrolment.

19.2 Other Expenses

The breakdown of other expenses is shown below.

	Notes	2016	2015	2014
Rentals	23.5, 26.2	P 251,902,195	P 228,121,389	P 157,719,595
Professional fees	23.5	39,892,869	5,993,530	9,596,697
Utilities		32,175,318	34,475,744	26,856,166
Association dues		28,756,496	26,308,296	28,714,377
Security services		17,355,405	18,058,398	17,650,157
Documentation		8,594,225	15,071,126	4,544,472
Office supplies		8,352,182	5,860,351	6,715,505
Repairs and maintenance		7,427,998	7,332,404	5,648,126
Janitorial services		5,953,310	4,700,195	3,740,024
Outside services		5,245,283	3,793,845	3,628,675
Insurance		4,655,325	4,273,836	3,385,706
Representation		1,143,838	8,879,768	4,654,045
Marketing events and awards		340,852	579,456	2,320,101
Miscellaneous	6	22,258,489	19,823,708	23,058,222
		P 434,053,785	P 383,272,046	P 298,231,868

Miscellaneous expenses include impairment loss on receivable, bank charges, donations and contributions, trainings and seminars, motor vehicle registration and others.

20. FINANCE INCOME AND FINANCE COSTS

20.1 Finance Income

The details of this account are shown below.

	Notes	2016	2015	2014
Interest income:				
Advances to related parties	23.1	**P 147,430,827**	P 132,325,283	P 122,027,646
Trade and other receivables	6	**54,248,875**	89,481,544	145,397,708
Cash and cash equivalents	5	**9,917,831**	6,822,758	2,889,125
Tuition fees		**1,125,104**	1,125,565	2,423,180
		212,722,637	229,755,150	272,737,659
Amortization of day-one loss on noninterest-bearing financial instruments	6	**75,372,131**	55,284,769	65,659,735
Dividend income	8	**34,906,000**	34,906,000	42,788,000
Foreign currency gains - net		**605,745**	4,216,467	
		P 323,606,513	P 324,162,386	P 381,185,394

20.2 Finance Costs

The breakdown of Finance costs is shown below.

	Notes	2016	2015	2014
Interest expense on advances from related parties	23.1	**P 175,929,149**	P 157,768,766	P 112,101,093
Net interest expense on post-employment defined benefit obligation	21.2	**23,640,846**	19,612,116	15,227,357
Foreign currency losses - net		**-**	-	526,858
		P 199,569,995	P 177,380,882	P 127,855,308

21. SALARIES AND EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Note	2016	2015	2014
Short-term benefits		**P 364,254,168**	P 352,460,844	P 265,201,543
Post-employment benefits	21.2	**63,713,841**	58,781,794	37,125,992
		P 427,968,009	P 411,242,638	P 302,327,535

21.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Group maintains a partially-funded, tax-qualified, non-contributory, post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The post-employment defined benefit plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of final monthly salary for every year of credited service, but shall not be less than the regulatory benefit under the Republic Act 7641, The Retirement Pay Law, or the applicable retirement law at the time of the member's retirement.

(b) Explanation of the Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding page are based on the latest actuarial valuation reports obtained from an independent actuary.

The amounts of post-employment DBO recognized in the consolidated statements of financial position are determined as follow:

	2016	2015
Present value of the obligation	**P 579,336,959**	P 496,923,682
Fair value of the assets	**(50,822,064)**	(17,625,052)
	P 528,514,895	P 479,298,630

The movements in the present value of the post-employment DBO recognized in the books are as follows:

	2016	2015
Balance at beginning of year	**P 496,923,682**	P 447,721,635
Current service cost	**63,713,841**	58,781,794
Interest expense	**24,587,968**	20,318,368
Remeasurements:		
Actuarial losses (gains) arising from:		
- changes in financial assumptions	**(4,630,870)**	(41,480,767)
- experience adjustments	**483,838**	15,189,844
- demographic assumption	**-**	400,820
Benefits paid	**(1,741,500)**	(4,008,012)
Balance at end of year	**P 579,336,959**	P 496,923,682

The movements in the fair value of plan assets are presented below.

	2016	2015
Balance at beginning of year	**P 17,625,052**	P 14,548,161
Interest income	**947,122**	706,252
Loss on plan assets (excluding amounts included in net interest)	**(750,110)**	(629,361)
Actual contribution	**34,741,500**	3,000,000
Benefits paid	**(1,741,500)**	-
Balance at end of year	**P 50,822,064**	P 17,625,052

The Group's plan assets only consist of cash and cash equivalents as of December 31, 2016 and 2015 and do not comprise any of the Group's financial instruments or any of its assets occupied and/or used in its operations.

The plan assets earned a return of P197,012 in 2016 and P76,891 in 2015.

The components of amounts recognized in the consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Notes	**2016**	2015	2014
Reported in profit or loss:				
Current service cost	21.1	**P 63,713,841**	P 58,781,794	P 37,125,992
Net interest expense	20.2	**23,640,846**	19,612,116	15,227,357
		P 87,354,687	P 78,393,910	P 52,353,349
Reported in other comprehensive income (loss):				
Actuarial gains (losses) arising from:				
- changes in financial assumptions		**P 4,630,870**	P 41,480,767	(P 69,607,504)
- experience adjustments		**(483,838)**	(15,189,844)	(24,840,661)
- demographic assumption		-	(400,820)	-
Return on plan assets (excluding amounts included in net interest)		**(750,110)**	(629,361)	(491,523)
		P 3,396,922	P 25,260,742	(P 94,939,688)

Current service cost is presented as part of Salaries and Employee Benefits under Costs and Expenses in the consolidated statements of comprehensive income (see Note 21.1) while the amounts of net interest expense is included as part of Finance Costs under Costs and Expenses in the consolidated statements of comprehensive income (see Note 20.2).

The amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2016	2015	2014
Company:			
Discount rates	4.89%	4.89%	4.49%
Expected rate of salary increases	10.00%	10.00%	10.00%
EPHI:			
Discount rates	5.38%	5.40%	4.88%
Expected rate of salary increases	7.16%	7.80%	8.20%
LBASSI:			
Discount rate	5.16%	5.16%	4.73%
Expected rate of salary increases	5.00%	5.00%	6.00%

The other subsidiaries currently do not have employees and their accounting and other administrative functions are being handled by the Company; hence, there was no cost of retirement benefits recognized.

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 for both males and females are on the succeeding page.

	Retirement Age	Average Remaining Working Life
Company	60	31
LBASSI	60	25
EPHI	65	21

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Interest Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the plan obligation.

(ii) Longevity and Salary Risks

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding pages.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the DBO as of December 31, 2016 and 2015:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2016			
Company			
Discount rate	**+0.50%/-1.00%**	**(P 70,809,422)**	**P 88,898,169**
Salary increase rate	**+0.75%/-1.25%**	**79,007,454**	**(65,224,032)**
LBASSI			
Discount rate	**+/-1.00%**	**(689,243)**	**815,771**
Salary increase rate	**+/-1.00%**	**756,175**	**(657,192)**

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
EPHI			
Discount rate	**+/-0.50%**	**(3,535,867)**	**3,894,558**
Salary increase rate	**+/-1.00%**	**7,734,210**	**(6,537,004)**
2015			
Company			
Discount rate	+0.50%/-1.00%	(P 70,809,422)	P 88,898,169
Salary increase rate	+0.75%/-1.25%	79,007,454	(65,224,032)
LBASSI			
Discount rate	+/-1.00%	(689,243)	815,771
Salary increase rate	+/-1.00%	756,175	(657,192)
EPHI			
Discount rate	+/-0.50%	(3,484,835)	3,848,810
Salary increase rate	+/-1.00%	7,618,560	(6,412,140)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in cash and cash equivalents with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

There has been no change in the Group’s strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P528.5 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about ten years’ time when a significant number of employees is expected to retire.

The company expect to make contribution of at least P23.0 million to the plan during the next financial year.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years follows:

	2016	2015
Within one year	**P 8,750,818**	P 8,391,869
More than one year to five years	**12,735,531**	12,822,543
More than five years to 10 years	**204,041,461**	187,757,237
	P 225,527,810	P 208,971,649

The weighted average duration of the DBO at the end of the reporting period is 18 to 22 years.

22. TAXES

22.1 Registration with the Board of Investments (BOI)

On April 11, 2014, the BOI approved the Company's application for registration as a New Developer of Low Cost Mass Housing Project on a Non-pioneer Status relative to its various units of Kasara Urban Resort Residences (Tower 1 and Tower 2) project. Under the registration, the applicable rights and privileges provided in the Omnibus Investment Code of 1987 shall equally apply and benefit the Company with certain incentives including income tax holiday (ITH) for a period of three years from the date of registration.

22.2 Current and Deferred Taxes

The components of tax expense (income) reported in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	2016	2015	2014
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 110,430,527**	P 109,427,206	P 69,997,949
Final tax at 20% and 7.5%	**1,931,855**	1,260,838	459,898
	112,362,382	110,688,044	70,457,847
Deferred tax expense relating to origination and reversal of temporary differences	**131,541,403**	121,479,602	193,960,500
	P 243,903,785	P 232,167,646	P 264,418,347
Reported in other comprehensive income (loss) –			
Deferred tax expense (income) at 30% and 10% relating to origination and reversal of temporary differences	**P 1,019,077**	P 7,454,228	(P 28,355,076)

LBASSI, as an educational institution, is subject to 10% tax on its taxable income as defined under the tax regulations of the National Internal Revenue Code Section 27(B).

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense as reported in the profit or loss section of the consolidated statements of comprehensive income is as follows:

	2016	2015	2014
Tax on pretax profit at 30% and 10%	**P 252,330,806**	P 234,947,391	P 222,836,225
Adjustment for income subjected to lower income tax rates	**(921,063)**	(649,053)	(298,891)
Tax effects of:			
Income subject to ITH-ERO	**(18,888,058)**	(2,184,724)	
Nondeductible taxes and licenses	**15,400,427**	-	49,627,001
Nontaxable income	**(10,473,975)**	(10,484,596)	(12,871,440)
Nondeductible interest expense	**936,743**	623,059	232,058
Unrecognized deferred tax assets	**329,437**	520,731	4,945,348
Nondeductible expenses	**-**	3,368,629	3,060,536
Nondeductible loss on discounting	**-**	-	(3,112,490)
Others - net	**5,189,468**	6,026,209	-
	P 243,903,785	P 232,167,646	P 264,418,347

The net deferred tax liabilities as of December 31 relate to the following:

	Consolidated Statements of Financial Position		Consolidated Statements of Profit or Loss		
	2016	2015	**2016**	2015	2014
Deferred tax assets:					
Retirement benefit obligation	**P 156,703,213**	P 142,307,744	**(P 15,414,546)**	(P 21,191,281)	(P 14,621,787)
MCIT	**785,647**	-	**(785,647)**	-	-
Accrued rent	**525,356**	(181,203)	**(706,559)**	195,649	63,698
Unamortized past service cost	**194,385**	3,264,000	**3,069,615**	(387,000)	(477,000)
Unrealized foreign currency losses - net	**-**	-	**-**	158,058	(158,058)
	158,208,601	145,390,541	**(13,837,137)**	(21,224,574)	(15,193,147)
Deferred tax liabilities:					
Uncollected realized gross profit	**(1,572,373,939)**	(1,406,450,852)	**165,923,087**	160,616,464	218,868,080
Capitalized borrowing cost	**(190,232,919)**	(209,694,249)	**(19,461,330)**	(19,177,228)	(7,981,649)
Unrealized foreign exchange gains - net	**(181,723)**	(1,264,940)	**(1,083,217)**	1,264,940	(1,732,784)
	(1,762,788,581)	(1,617,410,041)	**145,378,540**	142,704,176	209,153,647
Deferred Tax Expense			**P 131,541,403**	P 121,479,602	P 193,960,500
Net Deferred Tax Liabilities - net	**(P 1,604,579,980)**	(P 1,472,019,500)			

The deferred tax expense recognized in other comprehensive income amounting to P1.0 million in 2016 and P7.5 million in 2015, and deferred tax income amounting to P28.4 million in 2014, pertains to the tax effect of remeasurements of retirement benefit obligation.

The Group is subject to the MCIT which is computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher.

The details of net operating loss carry over (NOLCO) incurred by certain subsidiaries, which can be claimed as deduction from their respective future taxable income within three years from the year the loss was incurred, are shown below.

Subsidiary	Year Incurred	Amount	Valid Until
EECI	2016	P 144,624	2019
	2015	1,454,879	2018
	2014	16,275,621	2017
SPLI	2016	172,118	2019
	2015	166,247	2018
	2014	166,158	2017
SOHI	2016	145,407	2019
	2015	140,228	2018
	2014	909,343	2017
VVPI	2016	147,803	2019
	2015	142,675	2018
	2014	142,908	2017
20th Century	2016	235,000	2019

EECI, SPLI, SOHI, VVPI and 20th did not recognize deferred tax assets on their respective NOLCO as management believes that the related deferred tax assets may not be recovered within the prescriptive period. The amount of NOLCO for the year ended 2016 for which the related deferred tax asset has not been recognized amounted to a total of P0.8 million with a total tax effect of P0.3 million.

The aggregated amounts of assets, deficit, revenues and net loss of the subsidiaries which incurred NOLCO are as follows:

		Assets		Deficit		Revenues		Net Loss
2016								
EECI	P	25,187,953	P	207,165,907	P	302	P	144,382
SPLI		511,977,306		9,830,960		-		172,118
SOHI		16,739,614		8,477,253		-		145,407
VVPI		90,929,289		3,708,464		-		147,803
20th Century		1,257,759		60,477,241		-		235,000
	P	**646,091,921**	**P**	**289,659,825**	**P**	**302**	**P**	**844,710**
2015								
EECI	P	25,329,850	P	207,021,525	P	1,093	P	12,682,768
SPLI		511,988,624		9,658,842		-		166,247
SOHI		16,874,821		8,331,846		-		140,228
VVPI		90,915,892		3,560,661		-		142,675
	P	645,109,187	P	228,572,874	P	1,093	P	13,131,918

In 2016, 2015 and 2014, the Group opted to claim itemized deductions in computing for its income tax due.

23. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company, parent company, associates, stockholders, related parties under common ownership, key management personnel, and the Group's retirement plan as described below and in the succeeding pages.

The summary of the Group's significant transactions and outstanding balances with its related parties are follows:

Related Party Category	Notes		Amounts of Transaction 2016		2015		2014		Outstanding Balance 2016		2015
Ultimate Parent:											
AFS financial assets	8	**(P**	**373,832,000)**	(P	726,270,000)	(P	365,950,000)	**P**	**1,439,028,000**	P	1,812,860,000
Dividend income	8, 20.1		**34,906,000**		34,906,000		42,788,000		**-**		-
Parent:											
Availment of advances	23.1	**(**	**180,005,353)**	(	374,117,857)	(	549,741,786)	**(**	**2,294,310,273)**	(	2,114,304,921)
Rendering of services	23.2		**177,122,386**		195,232,327		191,732,801		**628,878,101**		568,065,438
Associates:											
Availment of advances	23.1		**526,548**	(	282,202,270)	(	2,775,769)	**(**	**672,147,197)**	(	672,673,745)
Under common ownership:											
Granting of advances	23.1		**164,453,580**		190,443,672	(	97,431,225)		**2,311,257,801**		2,146,804,221
Availment of advances	23.1		**-**	(	6,107,671)		25,511,944	**(**	**45,808,729)**	(	45,808,728)
Rendering of services	23.2		**135,720,045**		-		-		**135,720,045**		-
Sale of property	23.3		**-**		999,082,400		-		**-**		-
Sale of land	23.4		**-**		-		-		**40,643,067**		40,643,067
Obtaining of services	23.5		**48,301,904**		14,327,438		15,821,271		**33,721,207**		2,360,121

The Group's outstanding receivables from and payables to related parties arising from interest-bearing loans, joint venture agreements, lease of property and cash advances to related party are unsecured and are generally settled in cash or through offsetting arrangements with the related parties.

There were no impairment losses recognized on the outstanding receivables from related parties in 2016, 2015 and 2014 based on management's assessment.

23.1 Advances to and from Related Parties

The Group grants to and obtains unsecured advances from its parent company, stockholders, associates and other related parties for working capital purposes.

The Advances to Related Parties account represents the outstanding balances arising from cash advances granted by the Group to certain related parties under common ownership. The change in the Advances to Related Parties account are shown below.

	Note	**2016**	2015
Balance at beginning of year		**P 2,146,804,221**	P 1,956,360,549
Interest income	20.1	**147,430,827**	132,325,283
Additional advances		**17,022,753**	58,147,088
Reclassification		-	(28,699)
Balance at end of year		**P 2,311,257,801**	P 2,146,804,221

The details of Advances from Related Parties are as follows:

	2016	2015
Parent	**P 2,294,310,273**	P 2,114,304,921
Associates	**672,147,197**	672,673,745
Other related parties	**45,808,729**	45,808,728
	P 3,012,266,199	P 2,832,787,394

The movement in the Advances from Related Parties account are shown below.

	Note	**2016**	2015
Balance at beginning of year		**P 2,832,787,394**	P 2,170,359,594
Interest expense	20.2	**175,929,149**	157,768,766
Additions		**5,566,893**	538,840,568
Repayments		**(2,017,237)**	(34,181,534)
Balance at end of year		**P 3,012,266,199**	P 2,832,787,394

These advances to/from stockholders, associate and other related parties are generally unsecured. Some of these are interest-bearing (see Notes 20.1 and 20.2). The amounts are generally collectible/payable in cash on demand or through offsetting arrangements with the related parties (see Note 28.2).

23.2 Rendering of Services

The summary of services offered by the Group is presented below.

	Amount of Transactions		
	2016	2015	2014
Management services	**P 135,720,045**	P -	P -
Commission income	**126,759,525**	143,273,471	134,923,506
Lease of property	**50,362,861**	51,958,856	56,809,295
	P 312,842,431	P 195,232,327	P 191,732,801

In 2016, the Group handled the administrative functions of certain related parties under common ownership. The amount of revenue earned from such transaction is recorded as part of Marketing and management fees under Other Income in the 2016 consolidated statement of comprehensive income (see Note 19.1) while the outstanding balances are presented as Management fee receivable under Trade and Other Receivables account in the 2016 consolidated statement of financial position (see Note 6).

The Group earns marketing fees from the sale of Megaworld's real estate properties. The marketing fee recognized is presented as Commissions under Revenues and Income in the consolidated statements of comprehensive income. The outstanding receivables related to these transactions are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Company leases certain investment property to its parent company. The revenues earned from the lease are included as part of Rental Income in the consolidated statements of comprehensive income. The related outstanding receivables from these transactions are presented as part of Rent receivable under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

23.3 Sale of Property

In 2015, the Group sold a property in Balayan, Batangas to a related party under common ownership with an area of 169,336 square meters for a total consideration of P999.1 million, net of VAT, under the normal course of the Group's business.The transaction is presented as part of the Group's Real Estate Sales under Revenues in the 2015 consolidated statement of comprehensive income. This was paid in full in 2015.

23.4 Sale of Land

The Group sold, on account, to a related party under common ownership, a parcel of land which was used as site of the related party's project. The outstanding receivable, which pertains to the remaining unpaid interest, from this sale is presented as part of Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

23.5 Obtaining of Services

The summary of services obtained by the Group is presented below.

	Amount of Transactions		
	2016	2015	2014
Management fee	**P 31,689,881**	P -	P -
Lease of showroom and parking space	**16,612,023**	14,327,438	15,821,271
	P 48,301,904	P 14,327,438	P 15,821,271

In 2016, the Group incurred management fees for accounting and marketing services obtained from related parties under common ownership, and is presented as part of Professional fee under Other Expenses in the 2016 consolidated statement of comprehensive income (see Note 19.2). The related payable is shown as part of Accrued expenses under the Trade and Other Payables account in the 2016 consolidated statement of financial position (see Note 15).

The Group's showroom and parking space is being leased from its related parties under common ownership. The related rental expenses are shown as part of Rentals under Other Expenses in the consolidated statements of comprehensive income (see Note 19.2).

23.6 Deed of Assignment

In June 2011, Fil-Estate Properties, Inc. (FEPI), a related party under common ownership, has agreed to assign the right to develop a certain property. In consideration of the assignment, the Group shall pay FEPI a non-refundable cash consideration totaling P60.0 million. The consideration was presented as part of Property Development Costs in the consolidated statements of financial position (see Note 7.2). In 2015, the Company paid in full the balance amounting to P5.6 million.

23.7 Key Management Personnel Compensation

The compensation of the Group's key management personnel are as follows:

	2016	2015	2014
Short-term benefits	**P 34,395,718**	P 30,199,457	P 27,578,218
Post-employment benefits	**13,708,157**	12,290,634	10,981,129
	P 48,103,875	P 42,490,091	P 38,559,347

These are presented as part of Salaries and Employee Benefits account under Cost and Expenses in the consolidated statements of comprehensive income for the years ended December 31, 2016, 2015 and 2014 (see Note 21.1).

23.8 Retirement Plan

The Group's retirement fund for its post-employment defined benefit plan is administered and managed by a trustee bank. The plan assets consist only of cash and cash equivalents amounting to P50.8 million and P17.6 million as of December 31, 2016 and 2015, respectively (see Note 21.2).

The retirement fund neither provides any guarantees or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

The details of the contributions of the Group and benefits paid out by the plan are presented in Note 21.2.

24. EQUITY

24.1 Capital Stock

Capital stock as of December 31, 2016 and 2015 consists of:

	Shares	**Amount**
Common shares – P1 par value		
Authorized	P 31,495,200,000	P 31,495,200,000
Issued	P 14,803,455,238	P 14,803,455,238
Treasury shares – at cost	(127,256,071)	(102,106,658)
Total outstanding	P 14,676,199,167	P 14,701,348,580
Preferred shares – P1 par value		
Authorized	P 2,000,000,000	P 2,000,000,000

Megaworld has 81.73% ownership interest in the Company as of December 31, 2016 and 2015 while 81.72% ownership interest in the Company as of December 31, 2014.

The Series B preferred shares are nonredeemable, convertible into common shares and are nonvoting. The shares have zero coupon rate and shall not be entitled to dividends. The Series B preferred shares shall be convertible to common shares anytime after the end of the 18 months from the implementation date, May 29, 1998, as defined in the subscription agreements.

On April 24, 1996, the SEC approved the listing of the Company's shares totalling 425,000,000. The shares were issued at an offer price of P12.90 per share. As of December 31, 2016, 2015 and 2014, there are 12,591, 12,667 and 12,775 holders of the listed shares, respectively. The shares were listed and closed at a price of P0.69, P0.77 and P0.92 per share as of December 28, 2016, December 29, 2015, and December 27, 2014, respectively.

24.2 Treasury Stock

On March 23, 2006, the Company's BOD authorized the buy-back of up to P1.0 billion worth of Company's shares of common stock within a 24-month period under certain terms and conditions as the Company's senior management may deem beneficial to the Company and its stockholders.

As of December 31, 2016 and 2015, the Company's treasury shares amounted to P102.1 million, representing the cost of 127,256,071 shares reacquired by the Company.

24.3 Revaluation Reserves

Revaluation reserves of the Group is composed of remeasurements on its retirement benefit obligation and fair value movements of the Group's available-for-sale financial assets (see Notes 8 and 21.2).

24.4 Retained Earnings

Retained earnings is restricted in the amount of P102.1 million representing the cost of 127,256,071 shares held in treasury as of the end of the reporting periods.

25. EARNINGS PER SHARE

Basic and diluted earnings per share amounts were computed as follows:

	2016	2015	2014
Net profit attributable to parent company's shareholders	**P 599,969,525**	P 547,278,548	P 481,845,568
Divided by the weighted average number of issued and outstanding common shares	**14,676,199,167**	14,676,199,167	14,676,199,167
Basic and diluted earnings per share	**P 0.041**	P 0.037	P 0.033

26. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

26.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under various non-cancellable operating lease agreements covering real estate properties for commercial use. The leases have terms ranging from one to three years, with renewal options, and include annual escalation rates of 3% to 10%. The average annual rental covering these agreements amounts to about P105.3 million in 2016, P106.1 million in 2015 and P111.8 million in 2014 which are recognized as Rental Income under Revenues and Income in the consolidated statements of comprehensive income.

The future minimum rental receivable under these non-cancellable operating leases are as follows as of December 31:

	2016	2015	2014
Within one year	**P 77,057,328**	P 49,079,317	P 53,607,989
After one year but not more than five years	**114,134,834**	128,812,674	136,543,782
More than five years	**53,729,333**	40,904,125	52,572,700
	P 244,921,495	P 218,796,116	P 242,724,471

26.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under non-cancellable operating leases covering certain offices, showroom and parking slots. The leases have terms ranging from one to four years, with renewal options and include annual escalation rate of 5% to 10%. The future minimum rental payable under these non-cancellable operating leases are as follows as of December 31:

	2016	2015	2014
Within one year	**P 52,404,114**	P 44,818,370	P 43,193,006
After one year but not more than five years	**68,054,109**	42,648,823	3,844,014
	P 120,458,223	P 87,467,193	P 47,037,020

Total rentals from these operating leases which was charged to Rentals under Other Expenses in the consolidated statements of comprehensive income amounted to P251.9 million, P228.1 million and P157.7 million in 2016, 2015 and 2014, respectively (see Note 19.2).

26.3 Legal Claims

As of December 31, 2016 and 2015, the Group does not have any litigations within and outside the normal course of its business.

26.4 Credit Lines

The Group has existing credit lines with local banks for a maximum amount of P4,670.0 million as of December 31, 2016 and 2015. The Group has unused lines of credit amounting to P670.0 million and P1,230.0 million as of December 31, 2016 and 2015, respectively.

26.5 Capital Commitments

As of December 31, 2016, the Group has fully utilized the balance of its stock rights offering; hence, no capital commitments pertaining to landbanking, project development and general corporate purposes were outstanding as of the end of the period.

26.6 Others

There are other commitments and contingent liabilities that may arise in the normal course of operations of the Group which are not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements, taken as a whole.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating, investing, and financing activities. Risk management is carried out by a central treasury department under policies approved by the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

27.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, and interest rate risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Foreign exchange risk arises from the Group's United States (U.S.) dollar-denominated cash and cash equivalents (see Note 5).

The Group's U.S. dollar-denominated financial assets, translated into Philippine pesos at the closing rate, amounted to P3.2 million, P53.3 million and P55.3 million as of December 31, 2016, 2015 and 2014, respectively. There were no U.S. dollar-denominated financial liabilities as of December 31, 2016, 2015 and 2014.

At December 31, 2016, 2015 and 2014, if the Philippine peso had strengthened by 12.91%, 10.42% and 11.56% against the U.S. dollar with all other variables held constant, profit before tax for the year would have been lower by P0.4 million, P5.6 million and P6.4 million, respectively, mainly as a result of foreign currency loss on translation of U.S. dollar-denominated cash and cash equivalents.

On the other hand, if the peso had weakened by the same percentage, with all other variables held constant, profit before tax would have been higher by the same amount in each of those years.

The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99.00% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of each reporting period.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Group's interest rate risk largely arises from cash and cash equivalents and interest-bearing loans and borrowings, which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

The following paragraph presents the sensitivity of the Group's profit before tax for the year to a reasonably possible change in interest rate of +/-0.60% and +/-1.33% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2016, +/-0.87% and +/-2.03% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2015 and +/-1.42% and +/-1.71% for cash and cash equivalents and interest-bearing loans and borrowings, respectively, in 2014. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on changes in the average market interest rates for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

If the interest rates were to increase, profit before tax in 2016 and 2015 would have decreased by P20.7 million and P17.1 million, respectively, and profit before tax in 2014 would have increased by P6.4 million. If interest rates were to decrease, profit before tax in 2016 and 2015 would have been higher and profit before tax in 2014 would have been lower by the same amounts.

The movements in interest rates used in the sensitivity analysis are considered reasonably possible and are based on observation of interest rate fluctuations for the past 12 months using a 99.00%-confidence level. The calculations are based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (classified as AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, an average volatility of 19.98% and 14.33% has been observed during 2016 and 2015, respectively. If quoted price for these securities increased or decreased by that percentage, the equity would have increased or decreased by P287.5 million in 2016 and P259.8 million in 2015.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is not subject to commodity price risk.

27.2 Credit Risk

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below.

	Notes	**2016**	2015
Cash and cash equivalents	5	**P 1,008,997,919**	P 1,398,235,836
Trade and other receivables - net (excluding advances to suppliers and contractors)	6	**6,589,307,708**	5,175,649,677
Advances to related parties	23.1	**2,311,257,801**	2,146,804,221
		P 9,909,563,428	P 8,720,689,734

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade receivables under Trade and Other Receivables, as described below.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Majority of the trade receivables are secured by postdated checks. Also, titles to residential units sold to buyers are retained to the Group until such time that the outstanding balance is collected in full. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	2016	2015
Not more than three months	**P 42,624,811**	P 54,332,663
More than three months but not more than six months	**177,536,007**	154,571,158
More than six months but not more than one year	**171,672,446**	165,208,318
More than one year	**56,702,717**	57,443,297
	P 448,535,981	P 431,555,436

(c) *Advances to Related Parties*

The Group is not exposed to significant credit risk as advances are made to reputable entities.

The table below shows the credit quality by class of financial assets as of December 31, 2016.

	Neither Past Due nor Specifically Impaired				
	High Grade	**Standard Grade**	**Substandard Grade**	**Past Due or Individually Impaired**	**Total**
Cash and cash equivalents	P 1,008,997,919	P -	P -	P -	P 1,008,997,919
Trade and other receivables - net	3,358,507,334	2,782,264,393	-	-	6,140,771,727
Advances to related parties	2,311,257,801	-	-	-	2,311,257,801
	P 6,678,763,054	**P 2,782,264,393**	**P -**	**P -**	**P 9,461,027,447**

This compares with the credit quality by class of financial assets as of December 31, 2015.

	Neither Past Due nor Specifically Impaired				
	High Grade	**Standard Grade**	**Substandard Grade**	**Past Due or Individually Impaired**	**Total**
Cash and cash equivalents	P 1,398,235,836	P -	P -	P -	P 1,398,235,836
Trade and other receivables - net	2,543,246,186	2,200,848,056	-	-	4,744,094,242
Advances to related parties	2,146,804,221	-	-	-	2,146,804,221
	P 6,088,286,243	**P 2,200,848,056**	**P -**	**P -**	**P 8,289,134,299**

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates are of good credit quality, including those that are past due.

27.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for 6-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2016, the Group's financial liabilities have contractual maturities which are presented below.

	Within One Year	One to Five Years	More than Five Years
Interest-bearing loans and borrowings	P 443,479,080	P 1,786,311,643	P 5,963,400
Trade and other payables	1,362,915,988	-	-
Advances from related parties	3,012,266,199	-	-
Other current liabilities	584,715,486	-	-
	P 5,403,376,753	**P 1,786,311,643**	**P 5,963,400**

This compares to the contractual maturities of the Group's financial liabilities as of December 31, 2015.

	Within One Year	One to Five Years	More than Five Years
Interest-bearing loans and borrowings	P 109,456,357	P 1,683,131,151	P 22,684,200
Trade and other payables	996,792,762	-	-
Advances from related parties	2,832,787,394	-	-
Other current liabilities	569,761,670	-	-
	P 4,508,798,183	**P 1,683,131,151**	**P 22,684,200**

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of each reporting period.

28. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

28.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2016		2015	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial assets					
Loans and Receivables:					
Cash and cash equivalents	5	**P 1,008,997,919**	**P 1,008,997,919**	P 1,398,235,836	P 1,398,235,836
Trade and other receivables - net	6	**6,589,307,708**	**6,589,307,708**	5,175,649,677	5,175,649,677
Advances to related parties	23.1	**2,311,257,801**	**2,311,257,801**	2,146,804,221	2,146,804,221
		9,909,563,428	**9,909,563,428**	8,720,689,734	8,720,689,734
AFS financial assets	8	**1,439,028,000**	**1,439,028,000**	1,812,860,000	1,812,860,000
		P 11,348,591,428	**P 11,348,591,428**	P 10,533,549,734	P 10,533,549,734
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings	14	**P 1,958,549,476**	**P 1,958,549,476**	P 1,509,002,604	P 1,509,002,604
Trade and other payables	15	**1,362,915,988**	**1,362,915,988**	996,792,762	996,792,762
Advances from related parties	23.1	**3,012,266,199**	**3,012,266,199**	2,832,787,394	2,832,787,394
Other current liabilities	17	**584,715,486**	**584,715,486**	569,761,670	569,761,670
		P 6,918,447,149	**P 6,918,447,149**	P 5,908,344,430	P 5,908,344,430

See Notes 2.4 and 2.8 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

28.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statement of financial position		Net amount presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
	Financial assets	Financial liabilities set-off		Financial instruments	Collateral received	Net amount
December 31, 2016						
Advances to related parties	**P 2,312,560,545**	**(P 1,302,744)**	**P 2,311,257,801**	**P -**	**P -**	**P 2,311,257,801**
December 31, 2015						
Advances to related parties	P 2,151,780,620	(P 4,976,399)	P 2,146,804,221	P -	P -	P 2,146,804,221

The following financial liabilities with net amounts presented in the consolidated statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statement of financial position		Net amount presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
	Financial liabilities	Financial assets set-off		Financial instruments	Collateral received	Net amount
December 31, 2016						
Interest-bearing loans and borrowings	P 1,958,549,476	P -	P 1,958,549,476	P -	(P 1,958,549,476)	P -
Advances from related parties	3,012,266,199	-	3,012,266,199	-	(614,926)	3,011,651,273
	P 4,970,815,675	**P -**	**P 4,970,815,675**	**P -**	**(P 1,959,164,402)**	**P 3,011,651,273**
December 31, 2015						
Interest-bearing loans and borrowings	P 1,509,002,604	P -	P 1,509,002,604	P -	(P 1,509,002,604)	P -
Advances from related parties	2,832,787,394	-	2,832,787,394	-	(3,484,402)	2,829,302,992
	P 4,341,789,998	**P -**	**P 4,341,789,998**	**P -**	**(P 1,512,487,006)**	**P 2,829,302,992**

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements, each agreement between the Group and counterparties (i.e., related parties including subsidiaries and associates) allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

29. FAIR VALUE MEASUREMENT AND DISCLOSURES

29.1 Fair Value Hierarchy

In accordance with PFRS 13, Fair Value Measurement, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

29.2 Financial Instruments Measured at Fair Value

As of December 31, 2016 and 2015, only the equity securities classified as AFS financial assets in the consolidated statements of financial position is classified as Level 1. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period. There were no other financial assets measured at fair value on these dates. Further, the Group has no financial liabilities measured at fair value as of December 31, 2016 and 2015.

There were no transfers between Levels 1 and 2 in both years.

29.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes	Level 1	Level 2	Level 3	Total
2016					
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 1,008,997,919	P -	P -	P 1,008,997,919
Trade and other receivables	6	-	-	6,589,307,708	6,589,307,708
Advances to related parties	23.1	-	-	2,311,257,801	2,311,257,801
		P 1,008,997,919	**P -**	**P 8,900,565,509**	**P 9,909,563,428**

	Notes	Level 1	Level 2	Level 3	Total
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings	14.1	P -	P -	P 1,958,549,476	P 1,958,549,476
Trade and other payables	15	-	-	1,362,915,988	1,362,915,988
Advances from related parties	23.1	-	-	3,012,266,199	3,012,266,199
Other current liabilities	17	-	-	584,715,486	584,715,486
		P -	**P -**	**P 6,918,447,149**	**P 6,918,447,149**

	Notes	Level 1	Level 2	Level 3	Total
2015					
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	P 1,398,235,836	P -	P -	P 1,398,235,836
Trade and other receivables	6	-	-	5,175,649,677	5,175,649,677
Advances to related parties	23.1	-	-	2,146,804,221	2,146,804,221
		P 1,398,235,836	P -	P 7,322,453,898	P 8,720,689,734
Financial Liabilities at amortized cost					
Interest-bearing loans and borrowings	14.1	P -	P -	P 1,509,002,604	P 1,509,002,604
Trade and other payables	15	-	-	996,792,762	996,792,762
Advances from related parties	23.1	-	-	2,832,787,394	2,832,787,394
Other current liabilities	17	-	-	569,761,670	569,761,670
		P -	P -	P 5,908,344,430	P 5,908,344,430

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability.

29.4 Fair Value Measurement of Non-Financial Assets

The table below and in the succeeding page shows the Levels within the hierarchy of non-financial assets for which fair value is disclosed as of December 31, 2016 and 2015.

	Level 1	Level 2	Level 3	Total
Investment property:				
Land	P -	P -	P 8,400,000	P 8,400,000
Buildings and office/commercial units	-	-	503,010,840	503,010,840
	P -	**P -**	**P 511,410,840**	**P 511,410,840**

The Level 3 fair value of the investment property was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with adjustments on the price for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value.

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital components for cost of capital purposes include loans and borrowings, preferred stock, common equity and retained earnings. The Group may issue new shares and may prepay some of its interest-bearing loans. Further, it intends to allocate its earnings and available cash in the acquisition and development of new/existing properties to ensure continuous business activities.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loans and borrowings to total capital. As of December 31, 2016 and 2015, the Group's ratio of interest-bearing loans and borrowings to equity is as follows:

	2016	2015
Interest-bearing loans and borrowings	**P 1,958,549,476**	P 1,509,002,604
Total equity	**24,913,611,061**	24,683,989,463
Debt-to-equity ratio	**0.08 : 1.00**	0.06 : 1.00

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years (see Note 14).

Board of Directors

ANDREW L. TAN
Chairman of the Board

GERARDO C. GARCIA
Vice Chairman/Independent Director

ANTHONY CHARLEMAGNE C. YU
Director/President

KEVIN ANDREW L. TAN
Director

ENRIQUE SANTOS L. SY
Director

EVELYN G. CACHO
Director/Senior Vice President

ALEJO L. VILLANUEVA, JR.
Indepent Director

Empire East Land Holdings, Inc. Officers

PRESIDENT AND CEO

Anthony Charlemagne C. Yu

EXECUTIVE VICE PRESIDENT

Ricky S. Libago

SENIOR VICE PRESIDENT

Evelyn G. Cacho

FIRST VICE PRESIDENT FOR HUMAN RESOURCES AND GENERAL ADMINISTRATION SERVICES

Ricardo B. Gregorio

FIRST VICE PRESIDENT FOR MARKETING

Jhoanna Lyndelou T. Llaga

CORPORATE SECRETARY

Dennis E. Edaño

ASSISTANT CORPORATE SECRETARY

Celeste Z. Siozon-Bumatay

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Rizal Commercial Banking Corporation
United Coconut Planters Bank
Unionbank of the Philippines

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